

Missouri To Sail for Gulf Area

U.S. Battleship To Stay Mostly Outside Zone

The Associated Press WASHINGTON — The battleship Missouri and three escort ships will sail from California in late July for the Gulf region, Pentagon officials said Friday.

The battleship will not be used to escort Kuwaiti oil tankers, the officials said, but will stand as a second sentry in a "one-two punch" along with the aircraft carrier Constellation to respond if Iran attempts to fire ground-to-sea missiles against ships bearing the American flag, the officials said.

Besides its huge 16-inch (40-centimeter) guns, the Missouri will be prepared to use Tomahawk cruise missiles against Iranian targets, the sources added.

By the time the ship gets under way over the last weekend of July, the navy will have all the geographic and terrain data needed to program the Tomahawk's sophisticated guidance system, they added.

The officials, who requested anonymity, said the Missouri, two cruisers and a guided-missile destroyer would leave from California ports July 25 or 26, bound for the northern Arabian Sea. One of the cruisers will be an Aegis-class ship, considered the most advanced air-defense vessel in the world, the sources added.

While the Missouri battle group may "occasionally" move into the Gulf, it will spend most of its time in the northern Arabian Sea and Gulf of Oman, outside the Gulf's entrance at the Strait of Hormuz, the officials said.

The sources, disclosing new details of the U.S. Navy's plans for escorting the 11 Kuwaiti tankers soon to fly the American flag and have American captains, said the battleship would work to ensure that "if Iran shoots one Silkworm missile, it won't shoot a second." The reference was to the Chinese-made variant of a Soviet anti-shiping missile.

President Ronald Reagan has agreed to extend U.S. military protection to the Kuwaiti oil tankers, asserting that the United States must act to protect the free flow of oil to the West. Kuwait's tankers have become a special target of Iran.

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Kim Young Sam, an opposition leader, was shoved into a police van in Seoul as he was on his way to a demonstration Friday.

Protesters Rampage, Seoul Detains Kims

By Clyde Haberman New York Times Service

SEOUL — With a massive use of tear gas, manpower and raw force, South Korean riot police ultimately managed to retain control of Seoul's streets Friday night against tens of thousands of anti-government protesters.

The clashes were the most ferocious in a week, and they demonstrated that South Korea's political crisis was not near an end.

But they also wound up as something of a standoff between dissidents and the police, making it difficult to judge whether they will lead to further unrest, as some fear, or prove to be the last outburst before a lull, as many hope.

Foreign diplomats and other observers had viewed Friday night as a test of sorts. Beforehand, some spoke of intense concern about the possibility that serious skirmishes could provoke military intervention.

The demonstrations were vigorous despite the absence of the top two opposition leaders, Kim Young Sam and Kim Dae Jung, who were detained by the government before the rallies.

It was the first major demonstration since President Chun Doo Hwan and Kim Young Sam met on Wednesday in a vain attempt to end the crisis quickly.

Mr. Chun made offers to Mr. Kim that the government called significant but that the opposition dismissed as inadequate.

The presence of many non-demonstrators among Friday night's demonstrators suggested that many Koreans agreed with the anti-government forces.

[The scene was the same over much of South Korea, with large demonstrations in more than two dozen cities. The Associated Press reported.]

[In the southern city of Pusan, nearly 10,000 people demonstrated. In Kwangju, 20,000 people blocked the main roads, causing huge traffic jams, Yonhap News Agency reported.]

While the numbers in the streets of Seoul were large and were spread across a long stretch of the central city, they lacked the crackling tension apparent on other recent nights. Moreover, the police re-

mained in charge, making the imminent use of troops seem unlikely.

Both sides could claim victory. A coalition of opposition groups, which had organized the protests as a "grand peace march for democracy," could point to the large outpouring as evidence of popular reaction against maneuvering this week by President Chun to defuse the crisis.

Kim Young Sam was one of scores of people taken into brief custody by the police, who showed little patience, liberally using tear gas and fists to break up small groups of people whenever they gathered.

Mr. Kim was seized as he tried to leave his political offices to address a scheduled rally that never occurred in nearby City Hall Plaza.

He was put in a police van and driven for more than an hour to the Seoul airport and back before being dropped off at his house.

Earlier in the day, hundreds of dissident leaders had been arrested or confined to their homes to prevent them from reaching designated rallying points for the march.

Among them was Kim Dae Jung, another key opposition figure, who had been released only the day before from a house arrest that lasted 78 days. The new restriction would last only one day, Mr. Kim said he was told.

The police could claim victory for returning order. There seemed to be many more officers on the streets than at previous demonstrations, and so they

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U.S., Syria Will Confer On Hostages

By Gerald M. Boyd New York Times Service

WASHINGTON — President Ronald Reagan has urged President Hafez al-Assad of Syria to begin high-level talks on a range of issues, including ways to free American hostages in Lebanon, and Mr. Assad has agreed, Reagan administration officials said Friday.

Mr. Reagan sent a personal letter to the Syrian leader that raised the possibility of dispatching Vernon A. Walters, the U.S. chief delegate to the United Nations, on a mission to Damascus.

The officials said that Mr. Assad had accepted Mr. Reagan's offer of a special envoy but that it had not been decided when Mr. Walters would go to Syria.

While the officials declined to indicate when the correspondence was delivered, they suggested that its timing had been prompted by Syria's role in efforts to free Charles Glass, the American journalist taken hostage in Lebanon last week.

One administration official familiar with the letter said Mr. Reagan had raised several topics in which "we feel Syria can be constructive." In addition to the hostages, they included reviving Middle East peace efforts and ending the violence in Lebanon.

The letter represented a major attempt to change the direction of U.S.-Syrian relations. Just last October, the United States withdrew its ambassador and ordered American businesses to leave, saying that Syria was supporting international terrorism. The action was taken after a London court convicted a Palestinian of trying to put a bomb on an El Al airliner with Syrian help.

Last May, the administration decided not to send Ambassador William L. Eagleton Jr. back to Damascus after concluding that Syria had not taken concrete steps to end its support of terrorists.

Administration officials said that one factor in Mr. Reagan's decision to send the letter had been Mr. Assad's move to close the Damascus office of the Abu Nidal Palestinian terrorist organization. Washington had demanded such a move, saying it would show that the Syrian leader's avowed opposition to terrorism was genuine.

Mr. Assad has been credited with gaining the release of two Lebanese who were kidnapped with Mr. Glass, a freelance journalist who had worked for ABC News. The two freed men, Ali Ousseini, who is the son of Lebanon's defense minister, and a driver, were released Wednesday.

The state-run Damascus Radio had accused the kidnappers, saying such abductions were giving the Lebanese and other Arabs a "bad name." It said the abductions must be "confronted with every means possible."

While Reagan administration officials declined to indicate what had motivated the president to send the letter, they suggested that some of his aides believed that the recent moves in Damascus indicated a change by Mr. Assad that needed to be explored.

The administration has also been searching for a way to revive peace efforts in the region. Because there has been so little movement, Secretary of State George P. Shultz has postponed any visit to the Middle East.

One official said that, depending on Mr. Assad's response, Mr. Walters could travel to Syria in the next few weeks. The officials said such a trip would be a clear signal of Mr. Reagan's desire to improve relations.

Gorbachev Assails Key Officials

2 Economic Planning Chiefs Bear Brunt of Criticism

By Bill Keller New York Times Service

MOSCOW — Mikhail S. Gorbachev, the Soviet leader, has coupled his call for sweeping economic changes with a sharp attack, by name, on some of his leading economic planners and industrial ministers.

Several of the officials rebuked Thursday came to power under Mr. Gorbachev, indicating that his impatience to quicken the pace of change is not limited to holdovers from the years of Leonid I. Brezhnev.

The two most senior officials singled out by name were the heads of the powerful central planning agencies, Nikolai V. Talyzin, chairman of Gosplan, or the Committee for State Planning, and Lev A. Voronin, head of Gosnab, or the State Committee for Material and Technical Supply.

Mr. Gorbachev said these two agencies were "primarily responsible" for the weak performance of Soviet industry in the first months of this year.

Gosplan distributes detailed production plans for all Soviet in-

dustrial, fuel, cement, machinery and consumer goods," Mr. Gorbachev said in his 20,000-word speech.

In the past, people that Mr. Gorbachev has criticized by name have usually been replaced.

Mr. Talyzin and Mr. Voronin were appointed to their jobs under Mr. Gorbachev. Their careers are closely linked to Mr. Gorbachev's prime minister, Nikolai I. Ryzhkov, who has seemed recently to lag behind the general secretary in his eagerness for economic changes.

Some of the sternest criticism was leveled at the leadership of the Bureau of Machine-Building, a superagency created in November 1985 to supervise that vital branch of industry. Mr. Gorbachev has identified machine production as the cornerstone of his effort to modernize Soviet industry.

production in the first half of 1987 not to failures of central planning but rather to severe winter weather and a new quality inspection program that forced industries to junk shoddy products rather than count them in their production figures.

Mr. Gorbachev's comments may indicate that he is seizing a convenient excuse to replace key economic personnel, just as he recently responded to the violation of Soviet airspace by a small West German plane in May by shaking up the top ranks of the military.

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Powell, a Centrist, Retires From U.S. Supreme Court

By Al Kamen Washington Post Service

WASHINGTON — Justice Lewis F. Powell Jr., a moderate who for 15 years was the pivotal vote on the Supreme Court on some of the most critical social issues facing the United States, retired Friday.

His departure gives President Ronald Reagan the opportunity, in making his third appointment to the court, to insure conservative control of the high court for years to come.

Justice Powell, who will be 80 in September and has suffered from prostate cancer, said he was leaving the bench because of failing health. He said he had considered quitting in 1982 but that his family had convinced him to stay on.

The announcement was made by Chief Justice William H. Rehnquist as the court prepared to leave for summer recess until October.

Mr. Reagan's most recent appointment merely replaced one conservative with another. Antonin Scalia was nominated to succeed William H. Rehnquist, who moved up to replace Warren E. Burger as chief justice.

The departure of Justice Powell, a soft-spoken, nonideological Vir-

ginian, removes a key centrist from the nine-member court.

Justice Powell, it was often said, based his votes on his sense of justice and fairness; he sided with the conservative segment on most criminal issues, and with the liberals on social issues.

His vote in recent years has been decisive on issues involving abortion, affirmative action and separation of church and state. His support was considered so crucial that lawyers often would tailor their arguments specifically to attract his vote.

The American Civil Liberties Union on Friday listed 20 major civil liberties cases decided this term on 5-4 votes; Justice Powell was in the majority on every one. A similar voting pattern two years ago led Burt Neuborne, a former legal director of the civil liberties group, to call Justice Powell "the most powerful individual in America."

Justice Powell's announcement came as a surprise at the White House, which learned of his intentions only Friday morning.

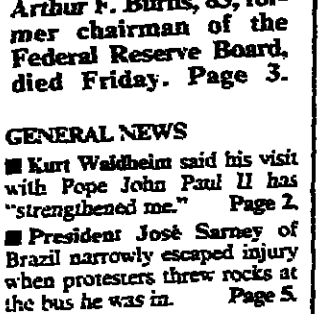
President Reagan telephoned Justice Powell and told him the

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Kiosk 2 Polyps Found In Reagan Exam

WASHINGTON (UPI) — Two small "benign-appearing polyps" were discovered Friday and removed from President Ronald Reagan's colon during a routine intestinal examination and will be tested to see if they are cancerous, announced Dr. John Hutton, the president's physician.

The examination also included a "routine prostate exam" as a follow-up to Mr. Reagan's prostate operation in January "and was found to be entirely normal." In 1985, a tumor and a section of adjacent intestine were removed from Mr. Reagan's colon, or large intestine.



Arthur F. Burns, 83, former chairman of the Federal Reserve Board, died Friday. Page 3.

GENERAL NEWS ■ Kurt Waldheim said his visit with Pope John Paul II has "strengthened me." Page 2. ■ President José Sarney of Brazil narrowly escaped injury when protesters threw rocks at the bus he was in. Page 5.

BUSINESS/FINANCE ■ JWP Group, the U.S. advertiser, agreed to merge with a British firm, WPP Group, for \$566 million. Page 13.

Dow close: DOWN 14.19 The dollar in New York: DM 5 Yen 66 FF 1.827 1.611 146.35 6.0965

Yugoslav Leaders Brace For New Round of Crises

By Henry Kamm New York Times Service

BELGRADE — As midyear approaches, the Yugoslav government is preparing for another peak in its long economic, political and social crisis.

On June 30, state enterprises will have to compile an accounting of their activities. Many — some analysts suspect as many as half — are chronic money-losers. Under new, stiff laws, the government is obliged to cut off the subsidies that for many years have kept unproductive plants alive and declare them bankrupt.

"If we don't do that, nothing else will succeed," said Zivorad Kovacevic, who has just been named ambassador to the United States. "It is the litmus test."

What is at stake is the government's stabilization program, intended to pull the economy out of the deep slump into which it sank in the late 1970s after many years of rapid growth.

Yugoslavia's foreign debt stands at about \$20 billion. Inflation is about 100 percent a year, and 14 percent of the workforce is counted as unemployed in a population of 23 million.

This would be a grave situation in any country, but Yugoslavia, since the death more than seven years ago of President Tito, also has lived in a permanent crisis of political authority.

Yugoslavia is a federal country of six republics and two autonomous provinces, with a constitution that recognizes the high degree of independence that each party guards jealously. It lacks the strong central authority necessary to impose a program of austerity and sacrifice.

The political and social tension is worsened by suspicions that divide some of the members in the federation, the wide economic gap separating the relatively prosperous north from the underdeveloped south and a potentially explosive conflict between the majority Albanians and minority Serbs in the province of Kosovo.

Many Yugoslavs, whose criticism of their country's predicament tends to be even more severe than the judgments of Western analysts, said it was a paradoxical measure of the depth of the crisis that government success in closing a significant number of enterprises, greatly aggravating unemployment, would be seen as a positive action.

It is considered an open question whether the government will be able to enforce the bankruptcy law. Few officials disagree over the fact that Yugoslavia's loose federalism, with its multiplicity of government and Communist Party bureaucracies, has spawned a vast number of unproductive enterprises. But few officials are prepared to concede that enterprises

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Australian Ranked 70 Stops Becker's Drive for 3d Straight Wimbledon Boris Becker's dreams of a third consecutive Wimbledon tennis championship ended Friday in London when the top-seeded 19-year-old West German was defeated in the second round. He was upset, 7-6, 4-6, 6-2, 6-4, by Peter Doolan, 26, of Australia, ranked No. 70. Although the tournament is two days behind schedule because of rain, no matches will be played Sunday. Page 19.

For Mathias Rust, Ice Cream and an Indulgent KGB

By James M. Markham New York Times Service

BOHN — "Tell the German people," a KGB major was reported to have said to the mother of Mathias Rust, "that we are in agreement with your son's peace ideas. It is beautiful that there are still idealistic young men like Mathias."

This friendly message from Moscow's forbidding Lefortovo Prison, where Mathias Rust is being held, was transmitted to the West German people this week by Stern magazine. It has purchased exclusive rights to the story by Mr. Rust's parents, Monika and Karl-Heinz Rust, of how and why their 19-year-old son landed a light plane in Moscow's Red Square on May 28.

The readers of Stern, a Hamburg illustrated weekly, were given other details that suggested members of the Soviet secret police and intelligence agency were basically a kindly lot.

When his parents mentioned, for example, that "Rusty" missed ice cream in the cell he shares with a Ukrainian accused of black market dealings, one of the interrogators responded like a stern but indulgent uncle: "Your son wants ice cream? But why didn't he say so sooner? He will get it right away!"

Nonetheless, the message from Lefortovo Prison is that the KGB is quite angry at Mr. Rust. After all, he might have started a war or killed someone by flying into the Soviet Union and landing his propeller plane in an area beside the Kremlin where there are many pedestrians.

But, the message goes on, Moscow hopes to send him home once it makes sure that he really did act alone on his "peace mission."

The message in Stern is being conveyed to West Germans in the pages of a publication that has never been known for its harsh criticism of the Soviet Union or its sympathies for the United States.

But one of the magazine's three top editors, Klaus Liedtke, said it was "nonsense" to suggest that the magazine was in any way behaving as a vehicle for Soviet propaganda.

"We are only after a good story," he said.

In pursuing that story, Stern contacted Mathias Rust's parents the day after he landed in Moscow; it agreed to pay all of the young pilot's legal costs, and then some.

"We don't want to talk about the sum involved," Mr. Liedtke said. "But it is a lot less than has been speculated about in the press."

"When an utterly normal family experiences something that it is not going to experience again, I think it is fully understandable that they try to make something from it," Mr. Liedtke said.

"That's the capitalist system," he added. "I think it's terrible that we're being accused of 'checkbook journal-

ism." The term refers to paying high fees for exclusive rights to a news-related interview.

As a result of Stern's access to Mr. Rust's parents, the magazine reported the scoop that the couple believed their son had set off on a peace mission to Mikhail S. Gorbachev; had landed symbolically in Reykjavik, the site of a summit meeting of Mr. Gorbachev and President Ronald Reagan last fall, then in Helsinki, where a major East-West accord on detente was signed in 1975; and had flown on to slip through Soviet air defenses and land in Moscow.

Mathias Rust's political views as conveyed in the interview came across as vaguely leftist and anti-Reagan; his parents told Stern the young man had voted for West Germany's opposition party, the Social Democrats.

A Stern reporter and photographer accompanied Monika and Karl-Heinz Rust to Moscow for their meeting with their son, the "Don Quixote of the Skies," as the magazine named him.

Mrs. Rust related that her son was being extremely well treated. She said he was "working happily with his interrogators" and that he considered one KGB major his "friend."

Stern also reported this week that Mr. Gorbachev was taking a personal interest in the case. The Soviet leader, Stern reported, read letters from Mr. Rust's parents that the magazine had passed on to Mr. Gorbachev.

U.S. Affirms Pershing Missile Plan In Germany

By Don Oberdorfer
Washington Post Service

WASHINGTON — The Reagan administration says it reserves the right to keep some of its Pershing nuclear missiles in Europe by reducing their range and transferring them to the West German government, even after a deal is made with the Soviet Union to ban intermediate-range missiles in Europe.

A State Department spokeswoman, Phyllis Oakley, announced the U.S. position Thursday after discussion of such a plan in Bonn on Wednesday by Maynard W. Glitman, the chief U.S. negotiator for intermediate-range missiles at the Geneva arms talks.

It was widely anticipated that the Soviet Union would reject such a U.S. plan. A senior Soviet official in Washington said that while the embassy had not received an official stand from the Kremlin, Moscow would object to any such transfer in strong terms.

The drive toward agreement on a treaty banning intermediate-range and shorter-range nuclear missiles from Europe has been interrupted in recent weeks by Soviet demands to include Pershing-1A shorter-range missiles already in the hands of the West German government.

The United States, which controls the nuclear warheads on these weapons, has insisted that they not be covered by the treaty.

The latest U.S. statements suggest to some officials that Washington is creating a chip that it can trade off against the Soviet demand that German Pershing-1As be included.

Other officials said the statements flow logically from U.S. backing for the modernization of the German Pershing-1As that was a condition of the North Atlantic Treaty Organization's approval of the U.S. bargaining position at Reykjavik, Iceland, where NATO foreign ministers met earlier this month.

Specifically, Mrs. Oakley said the U.S. "draft treaty" proposed at Geneva would permit the conversion of Pershing-2s, which have a range of about 1,100 miles (1,780 kilometers), to Pershing-1B missiles with a range of about 400 miles.

She said that under "a long-established program of cooperation" with Bonn, the United States could then transfer those weapons to West Germany.

State Department sources said U.S. negotiators contended in Geneva that the Soviet Union could not convert and transfer any of its medium-range missiles in this way because there was no "long-established program" under which Moscow shares nuclear missiles with its allies.

Mrs. Oakley said the U.S. position on this issue was "hypothetical" because "there is currently no U.S. or West German proposal" to convert the weapons, although the United States is demanding the right to do so.

The White House spokesman, Martin Fitzwater, said "we don't have any plans" to convert the Pershing-1As.



President Kurt Waldheim of Austria and his wife, Elisabeth, visiting a church in Rome on Friday after meeting Pope John Paul II. Pointing to a painting is the Reverend Johann Nedball, the rector of Austrian Catholic College in Rome.

Waldheim Says Meeting Boosted His Will to Work

Reuters

BONN — President Kurt Waldheim of Austria said Friday that his audience with Pope John Paul II, which was condemned by Jewish groups and by Israel, had boosted his will to continue in his post despite the controversy over his activities as a German officer during World War II.

"This present visit has strengthened me to work on," Mr. Waldheim was quoted as saying in the Saturday edition of *Die Welt* newspaper. "It is quite clear to me that I have to carry out my job as an elected head of state in the interest of my country."

His audience Thursday at the Vatican, in which chanting demonstrators were kept behind police lines, was Mr. Waldheim's first foreign visit since his election a year ago amid allegations by Jewish groups that he was involved in Nazi war crimes. Mr. Waldheim denies the charges.

He told the newspaper that the allegations against him had only been mentioned in passing during the audience.

Mr. Waldheim said the pope's attitude on the issue was quite clear. "That is proved by the fact that I visited him," Mr. Waldheim said. "I think the Holy Father is fully aware of the actual circumstances."

He added that "John Paul II said what friendly feelings he harbored toward Austria, and he also expressed approval for my efforts toward world peace."

Mr. Waldheim said he had "a whole string of invitations" to visit other countries, including a planned visit to Jordan next month.

In Rome on Friday, Mr. Waldheim visited the Chiesa di Santa Maria dell'Anima, an Austrian church. He was speaking at a ceremony honoring Soza Mendes, who was the Portuguese consul general in Bordeaux during World War II. He is credited with saving 10,000 Jews in Nazi-occupied France by granting them visas against orders from his government.

Meanwhile, Prime Minister Yitzhak Shamir of Israel paid tribute in Jerusalem on Friday to a Portuguese Catholic who sacrificed his diplomatic career to save Jews. Mr. Shamir said the memory of Aristides de Soza Mendes was a fitting contrast to Thursday's meeting between the pope and Mr. Waldheim.

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WORLD BRIEFS

Rogers Assails U.S. Over Arms Pact

MONS, Belgium (Reuters) — General Bernard W. Rogers stepped down Friday as NATO military commander with criticism of U.S. behavior over the proposed elimination of medium-range missiles in Europe.

General Rogers spoke at a military ceremony where he formally handed over command of the allied forces in Europe, which he had held for eight years, to General John Galvin of the United States. General Rogers said the West had to be careful that it did not sacrifice its nuclear deterrent for "short-term political expediency."

North Atlantic Treaty Organization diplomats said the comment clearly was aimed at the Reagan administration, which General Rogers has accused of stampeding the European allies into accepting a superpower agreement to eliminate medium and shorter-range missiles in Europe.

50 Killed in Philippine Plane Crash

BAGUIO, Philippines (UPI) — Fifty persons were killed Friday when a Philippine Airlines plane crashed into a mountain shrouded in fog, officials said.

The twin-engine turbo-prop plane Hawker Siddeley 748, with 46 passengers and four crew members, was nearing the end of its 55-minute flight from Manila to the resort of Baguio, 125 miles (200 kilometers) north of Manila, when it crashed into Mount Ugo. The 5,800-foot (1,800-meter) mountain is about nine miles southeast of Baguio.

Eight Japanese and several Americans were among the dead, officials said.

Libya Link Suspected in Rome Killing

ROME (Reuters) — An Arab carrying an Algerian passport was killed in a gun attack here Friday that Interior Minister Oscar Luigi Scalfaro said was believed to be connected with Libya.

Police said two Arabs, carrying pistols and Libyan passports, were arrested in a square near the Vatican, a short distance from where the man was murdered. Police sources said the suspects had told police they were members of "Libyan revolutionary committees."

"It is believed that this is a Libyan affair of the sort that has unfortunately occurred before," Mr. Scalfaro said. He did not elaborate. Libyan dissidents living in Rome frequently have been the target of attacks in recent years by supporters of the Libyan leader, Colonel Muammar Gadhafi.

U.S.-Spain Talks on Bases Stalled

MADRID (Reuters) — The United States and Spain ended their sixth round of talks on U.S. troop cuts Friday, apparently with no agreement other than to talk again after the summer. Spain has threatened not to renew a 34-year-old defense agreement unless a reduction of U.S. troops in Spain is agreed to by the end of the year.

"We are working as allies and friends to secure an agreement good for both countries and the security of the alliance as a whole," said the U.S. ambassador, Reginald Bartholomew, referring to NATO. The chief Spanish negotiator, Maximo Cajal, said the talks would resume in September in Madrid.

Diplomatic sources said the main stumbling block remained Spain's insistence on the removal of a U.S. squadron of 72 F-16 fighter planes now at a base in Torrejon, near Madrid. The United States says the planes are essential for North Atlantic Treaty Organization defense.

New Charges Lodged Against Barbie

LYON (Reuters) — Klaus Barbie was accused Friday of additional crimes against humanity, insuring that the former Lyon Gestapo chief will remain imprisoned no matter what the outcome of his trial, which is scheduled to end next week.

Judicial sources in Lyon said the new charges against Barbie, linking him to the arrest of two French Resistance fighters during World War II, would require another trial. Barbie would remain in custody until the trial, the sources said.

Barbie is accused of arresting, torturing and deporting to Nazi concentration or extermination camps hundreds of Jews and Resistance members from 1942 to 1944. He faces life imprisonment if convicted next week.

Singapore Lifts Ban on Time Magazine

SINGAPORE (UPI) — The government on Friday lifted its eight-month-old restriction against Time magazine distribution, effective as of the July 13 issue. The Ministry of Communications and Information had cut the circulation from 18,000 to 2,000 in a dispute over Time's refusal to print an official's letter that disrupted an article on political dissent.

Friday's decision came three weeks before the Asian Wall Street Journal plans an appeal to the Singapore Supreme Court to reverse a government order cutting its daily circulation from 5,000 to 400. The ministry said the Journal restriction, issued in February, was warranted by the newspaper's refusal to publish a letter criticizing an article on the country's securities market.

TRAVEL UPDATE

French Controllers Plan More Strikes

PARIS (Reuters) — French air traffic controllers planned more work stoppages on Friday after staging a 24-hour strike on Thursday that virtually paralyzed air traffic in and out of France.

The controllers said Thursday night that they would resume daily work stoppages of up to two hours on Friday. Their action on Thursday, the latest in a 10-week dispute over pensions, halted almost 90 percent of scheduled flights, the civil aviation authority said, and 40 percent of the scheduled flights over French air space were canceled.

In a separate dispute over staffing levels in new planes the French domestic carrier, Air Inter, is to introduce in 1988, the airline's pilots announced that they would strike Monday and Tuesday.

Austrian Airlines is to introduce nonstop flights to New York from Vienna five times a week in 1989, with six weekly flights during the summer. The airline is also planning two weekly flights from Vienna to Tokyo, with a stop in Moscow. (IHT)

The Italian airline Alitalia canceled 20 scheduled flights Friday because of the second two-hour strike in two days by pilots over pay and working conditions, airline officials said. Similar strikes have been called for July 6 to 15. (Reuters)

Correction

In a special report on the Channel Islands, published June 24 in European and Asian editions, Dean Witter Reynolds (Canada) Inc., the North American stockbrokerage, was incorrectly identified as a bank.

3 Supporters of Gorbachev Win Key Posts

United Press International

MOSCOW — Mikhail S. Gorbachev won the appointment of three supporters to the ruling Politburo on Friday and gained the backing of the Communist Party leader in Belorussia, who was responsible for breaking up the patronage network established in his republic in the Brezhnev era.

Viktor Nikonov, 58, who has been associated with Mr. Gorbachev for a decade, also was promoted to the Politburo, which supervises the daily running of the country.

The Politburo now has 14 full voting members and appears to be dominated by backers of Mr. Gorbachev's revisions.

Defense Minister Dmitri T. Yazov, 63, was promoted to candidate, or nonvoting, status in the Politburo. He replaced Sergei L. Sokolov, who was removed as defense minister after a 19-year-old West German landed a small plane in Red Square in Moscow on May 28.

The 300-member Central Committee approved guidelines for Mr. Gorbachev's sweeping economic revisions and adopted a new law for the management of state enterprises. It also approved the first special Communist Party Congress since World War II, to be held in June 1988.

That session would allow Mr. Gorbachev to alter the structure of the Central Committee and, possibly, to appoint his allies while eliminating opponents. Without a special congress, the Soviet leader must wait until the next scheduled congress in 1991 to radically alter the committee's makeup.

Economic Plans Outlined

Philip Taubman of The New York Times reported earlier.

In a speech to the Central Committee meeting on Thursday, Mr. Gorbachev called for a partial dismantling of central control of the economy and also of subsidized prices, two linchpins of the Soviet system.

In his address, he talked openly, for the first time, about likely dislocations in the country's work force, including layoffs, and he recommended the creation of retraining programs.

In the most forceful outline for economic change that he has provided since taking office in early 1985, Mr. Gorbachev said that "a radical reorganization of economic management" must be approved by the end of the year, and be in place by the end of the decade.

The changes, if enacted without having been vetted by opponents, would constitute the most extensive restructuring of the economy since Stalin forged the present system in the 1930s, with forced Socialist industrialization and collectivization of agriculture.

Mr. Gorbachev's 111-page speech, which opened the first day of the meeting, set the stage for what is likely to be a struggle within the party and government over the next phase of an economic overhaul outlined by Mr. Gorbachev when he took over after the death of Konstantin U. Chernenko.

At the same time, the Soviet leader said that there must be "a radical reform" of the elaborate controlled and subsidized pricing system, in which prices of more than 200,000 commodities and products are fixed by the government.

ar explosions, seven of them said to be weapons related.

The new agreement will allow monitoring by the U.S. group to continue during Soviet tests. But the equipment must be moved from its current locations to new sites at least 600 miles away from the Semipalatinsk test site.

The United States maintains a worldwide seismic network to monitor Soviet tests, but none of the stations is in Soviet territory.

Mr. Scherr said the Soviets also have agreed to expand the Natural Resources Defense Council's monitoring sites from three to five and to establish a direct telephone line that will enable U.S. and Soviet scientists to exchange seismic data.

By agreeing to move the monitoring stations further away, Mr. Scherr said, "We will be giving up the capability to detect extraordinarily small Soviet explosions." But he said the group would still be able to monitor Soviet tests with an explosive force of one kiloton, equivalent to 1,000 tons of TNT.

A White House spokesman declined to comment on the report Thursday night.

The Reagan administration, which opposes a nuclear test ban, has turned down the U.S. group's invitations to take part in the monitoring efforts.

Soviet to Allow Private U.S. Group To Monitor Nuclear Weapons Tests

By R. Jeffrey Smith
Washington Post Service

WASHINGTON — The Soviet Union has agreed for the first time to allow a U.S. group to monitor underground nuclear weapons tests with seismic equipment located inside Soviet borders, according to an official with the group, the Natural Resources Defense Council.

Mr. Scherr said the agreement was signed Thursday in Moscow by Adrian DeWind, chairman of the U.S. group's board, and a senior official of the Soviet Academy of Sciences.

Under an agreement reached last year with the Soviet science academy, the U.S. group has maintained three seismic stations about 120 miles (193 kilometers) from the Soviet test site since late last summer. But the group had been instructed to shut down the stations each time the Soviet Union conducted a nuclear explosion.

Since abandoning a unilateral nuclear test moratorium in February, Moscow has set off nine nuclear

West German Legislators Vote Themselves a Raise

Reuters

BONN — Members of the major parties in the West German parliament ignored pleas from the radical Greens party on Friday and voted themselves a salary increase for the second consecutive year.

The 325 percent increase raised the monthly salaries of the legislators in Bonn and the West German members of the European Parliament to 8,729 Deutsche marks (\$4,770) from 8,454 DM. They increased their tax-free monthly expense allowance 1.5 percent, to 5,078 DM.

British Rescue 19 From Ship

The Associated Press

KIRKWALL, Orkney Islands — All 19 people aboard a West German trawler, the *Hessen*, were rescued by a British aircraft carrier Thursday night after the West German vessel sank in the Pentland Firth channel off the north Scottish coast, the Pentland Coast Guard said.

Palme Honored in Moscow

Reuters

MOSCOW — A Moscow street will be named in honor of the late Prime Minister Olof Palme of Sweden, a Moscow newspaper said Friday.

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A 'Symbol of Unity' Divides Nigerians

By James Brooke
New York Times Service

ABUJA, Nigeria — A European contractor slowed his Mercedes to allow a herd of long-horned cattle to cross a boulevard of this future metropolis and remarked, "It's easier to make international telephone calls than at home."

With telephone and water systems in place for 1.5 million people, Abuja, population 15,000, is growing in fits and starts toward its future as the capital of Nigeria, black Africa's most populous and most powerful nation.

In the sparsely populated, wooded savanna of central Nigeria, gray concrete building skeletons are rising floor by floor, and giant bulldozers are scraping out four-lane expressways, following a blueprint drawn up a decade ago by an American company.

The construction of Abuja near the geographic center of this fractious West African nation has symbolic value, as did the construction in the 1960s of Brasilia, in Brazil's undeveloped interior.

"Abuja is meant to be a symbol of our unity — Lagos is on the periphery of our country," said Commodore Hanna Abdullahi, minister for the Federal Capital Territory. He was referring to Nigeria's capital on the Atlantic coast 300 miles (485 kilometers) southwest of here.

By building the new capital on a site where an ethnic group had laid claim, Nigeria's leaders hope to inspire people to rise above the ethnic and religious divisions that have tormented the nation since independence from the British in 1960.

Twenty years ago, Nigeria was

torpedoned by the unsuccessful Biafra secession, in which more than a million Biafrans are thought to have died. As recently as three months ago, religious rioting took about 15 lives and destroyed three mosques and 129 churches. Hundreds of people accused of taking part in the riots are now on trial in makeshift courtrooms here.

"Abuja is Unity," proclaims a large billboard painted in the green and white national colors at the start of a 23-mile expressway leading from the Abuja International Airport to the new capital.

When an American company, International Planning Associates, drew up the master plan for Abuja, Nigeria was at the height of its oil boom. The city was designed to be home to 250,000 people this year and 1.5 million by the year 2000.

But in the words of Commodore Abdullahi, "The period of oil boom turned into a period of oil doom."

Nigeria's oil revenues dropped to \$5.6 billion last year, from \$26 billion in 1980. From 1983 to 1985, most construction here was frozen.

"I inherited 7,000 abandoned living units all over the city," said the commodore, a Nigerian Air Force officer who became a minister last year after his predecessor was executed for plotting a coup.

Four thousand housing units have been completed. And this year, the first seed of bureaucratic life was planted in the future capital. The first two ministries, Trade and Internal Affairs, moved here. Two more of Nigeria's 20 ministries, Finance and Industry, are to move here by the end of the year.

Commodore Abdullahi has vowed to have 75 percent of the ministries here by 1990, the target date for the official transfer of the capital from Lagos.

In March, the Trade Ministry issued a special directive ordering employees lingering in Lagos to move to Abuja or face disciplinary action.

The two hotels here, the Hilton and the Agura, hold the city's only restaurants. Four banks are scheduled to open branches later this year. Meanwhile, the shopping district on Festival Road remains quiet.

With its fresh air and open spaces, Abuja is best suited for people who enjoy outdoor recreation. Under the heading "Places of Interest," a hotel brochure lists two large rocks that mark Abuja's horizon like granite bread loaves, and two game reserves seven hours away by car.

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APR 20 1987

Infant Mortality: In Some of America's Inner Cities, the Disturbing Odds Are Growing

By Isabel Wilkerson
New York Times Service

DETROIT — Each year, 250,000 babies are born dangerously underweight in the United States and face a 1 in 10 chance that they will not survive to their first birthday.

Ollie Hill's baby is one of them.

Tia Hill was in an ambulance speeding to a hospital here June 9. She barely weighed four pounds (1.8 kilograms) and spent her first days of life on a heart monitor in an intensive care unit. She has had jaundice, been on antibiotics and gained just four ounces since birth.

Babies like Tia enter the world with dim prospects here in inner-city Detroit, in parts of New York, Chicago, Los Angeles, or any place where there are large numbers of people living in poverty. They are the children of unwanted pregnancies and fractured homes, born to mothers who may not have seen a doctor until they went into labor.

These thousands of underdeveloped babies are more likely than other infants to suffer brain hemorrhages, infection, pneumonia or dozens of other life-threatening complications.

The statistics are troubling: The rate of infant deaths nationwide has declined only slightly in the last decade, and despite medical advances enabling doctors to save more babies than ever before, the rate has risen in some cities.

Health experts estimate that in some poor urban neighborhoods, more than 30 of every 1,000 infants die in their first year.

In Detroit, nearly 21 of every 1,000 babies die in the first

year of life. That is the second-highest infant mortality rate in the country, just behind Washington, at 21, and is almost double the national rate, which was 10.8 per thousand in 1984, the last year national figures are available.

Other big cities have rates well above the national average: Chicago, 16.5 deaths; Philadelphia, 15.5; New York, 13; Los Angeles, 11.

Despite medical advances, the mortality rate seems to be on the rise in many cities. In Washington, for example, it has increased from 19.3 deaths in 1983 to 21 the next year. Infant deaths also rose in Cleveland, Milwaukee, Los Angeles and Detroit.

Those are citywide figures. In impoverished areas, the rates are even higher. On Chicago's South Side, in central Harlem and in poor neighborhoods in Detroit, Philadelphia, Washington and other cities, as many as 25 to 30 babies die for every 1,000 that are born, health officials say. About twice that many babies die in New York's welfare hotel system.

The United States compares poorly to most other industrialized countries.

A report issued earlier this year by the Children's Defense Fund, a Washington lobbying group that deals with child development issues, said the U.S. rate of 10.8 infant deaths per 1,000 live births was higher than that in the following countries: Finland, Iceland and Japan, 6 per 1,000; Sweden, 7; Denmark, the Netherlands, Norway and Switzerland, 8; Canada, France and Luxembourg, 9; and Australia, Hong Kong, Ireland, Britain and Spain, 10.

Among the worst rates abroad are those for Guatemala and Burma, at 70 per 1,000, and Mexico at 53.

Local governments across the United States are trying new approaches to the problem, with most seeking to make prenatal care more accessible.

The financial costs alone worry health care specialists. The average underweight infant spends about 20 days in intensive care at a cost, usually to taxpayers, of up to \$1,000 a day, according to experts in the field.

At least 20 percent of those babies must be hospitalized in the first year of life, and others bear handicaps that require costly surgery and medical care for life.

Frequently, the mothers have no jobs, little education and no idea where the fathers are. Some mothers are drug-

addicted or carriers of acquired immune deficiency syndrome. Others smoke and drink their way through a pregnancy they did not want in the first place. And many have no idea when the baby is due until they get their first contraction and see a doctor for the first time in the emergency room.

Each year, about 300,000 women give birth after little or no prenatal care and their babies account for two-thirds of all infant deaths.

The case of 25-year-old Ollie Hill typifies part of the problem. She was unmarried and unemployed and says she did not have the money for a doctor's visit in her pregnancy.

What are the chances for her baby? One in 15 babies born at her weight — four pounds — die before their first birthday. The odds plummet for those born weighing two pounds or less: three out of four die within the year.

Tia Hill went home after two weeks in the hospital. She weighs four pounds, four ounces and can fit inside a tissue box.

Infant deaths accompany poverty in every region of the United States. In 1985, Greene County, the 66th poorest of Alabama's 67 counties, had nearly 40 infant deaths for every 1,000 births.

In Lee County in South Carolina, where some people have to walk a mile for running water, the rate was 24 deaths. And in parts of New Mexico, where as many as 40 percent of all Native Americans live below the federal poverty level, babies of Navajo Indians die at a rate of more than 15 per 1,000 births.

In New York, health officials say the leading problems among pregnant women are cocaine addiction and AIDS.

In Detroit, hospital officials cite inadequate public transportation in a city of automobiles and freeways as an obstacle to doctor's visits.

And in Los Angeles, city hospitals have been besieged with illegal aliens who arrive in labor so that their babies will be American citizens, said Dr. Irwin A. Silbermann, director of maternal health and family planning at the Los Angeles County Department of Health Services.

"We have an extremely large influx of undocumented aliens," he said, "most of whom don't speak English, have had little or no prenatal care and don't have Medicaid for fear it will jeopardize their undiscovered status."

Last month, Mayor Marion S. Barry Jr. of Washington announced measures to cut the infant death rate there. Any woman with a yearly income of \$20,000 or less now qualifies for free prenatal care at public health clinics.

New York City has a telephone line where expectant mothers, in English, Spanish or the French Creole of Haitian immigrants, can make appointments to see a doctor.

Los Angeles offers all pregnant women a package deal for prenatal care: They can pay \$20 a clinic visit and seven appointments at Los Angeles County clinics for get-remaining visits free.

But officials say they are unable to solve the deeper problems of indifference and despair that keep many impoverished women from seeing a doctor or taking care of themselves in the first place.

Marine General Assails U.S. Working Mothers

By George C. Wilson
Washington Post Service

WASHINGTON — General Paul Kelley, who retires as commander of the U.S. Marine Corps at the end of June, says American mothers who work and send their children to "facilities" centers rather than stay home to care for them are weakening the moral fiber of the United States.

The four-star general also assailed the banning of organized prayer in public schools, an action he said has weakened the moral fiber of American youth.

"I know I'm going to walk in a very, very tender area," General Kelley said during a farewell breakfast with reporters on Thursday, "but I'm going to walk there anyway."

"Fifty percent of the mothers today work. And that means that a number of our children are not getting the kind of upbringing in their homes that you and I had. Instead, their moral upbringing is being dictated by some nameless, faceless child-care center. A lot of people aren't going to like that remark, but I'm going to say it anyway."

"And then — you won't like this remark — we took God out of schools."

The general spoke in response to questions about the moral fiber in the Marine Corps, which he has commanded for the past four years. He was asked specifically whether the alleged involvement of women in espionage activities in Moscow and the initial refusal by Lieutenant Colonel Oliver L. North, a Marine officer, to testify before congressional



'We are approaching in this country the fundamental problem with the moral fiber of the future youth of America.'
— General Paul Kelley, Marine commandant

Robertson Hesitates On Finances

By Thomas B. Edsall
Washington Post Service

WASHINGTON — Pat Robertson, the television evangelist, is skirting Federal Election Commission rules and will soon be the only major prospective presidential candidate declining to disclose his campaign finances.

In addition, Mr. Robertson is running into difficulty reaching his goal of collecting three million signatures on a petition supporting his candidacy. After assembling petitions for more than nine months and with less than three months to go before his self-imposed Sept. 17 deadline, he has collected only 800,000 to 900,000 names, according to his campaign manager.

In order to reach the three million goal, Mr. Robertson is abandoning the requirement that the petitions be "signed." Instead, the campaign is setting up volunteer phone banks, and if someone contacted by phone is willing to verbally declare support for Mr. Robertson, his or her name will be added to the petition.

R. Marc Nuttle, the manager, said that Mr. Robertson does not have to file a detailed report of his campaign finances on July 15 — when all the other candidates are expected to do so — because the Robertson campaign is still in the "testing the waters" stage. Mr. Nuttle said Mr. Robertson will disclose his finances if he announces his candidacy in September.

Mr. Robertson has put together a staff of 65 — the largest of any prospective presidential candidate — and he has raised more than \$7 million, second only to Vice President George Bush.

U.S. government rules permit prospective candidates to keep finances secret as long as their activities are restricted solely "to evaluate a potential candidacy," a stage called "testing the waters."

Once a politician develops an organization along the lines of a presidential campaign and raises "funds in excess of what could reasonably be expected to be used for exploratory activities," the candidate must begin to make public reports to the commission, according to the rules.

Mr. Nuttle contended that the decision not to disclose finances is legitimate despite the fund raising and large staff because all of the activities of the Americans for the Republics Committee are devoted to the petition drive, which, according to Mr. Nuttle, is a "testing the waters" activity.

Last Sept. 17, Mr. Robertson financed a closed-circuit televised announcement to 216 meeting places across the country when he declared, "If a year from today, three million registered voters have signed petitions telling me that they will pray, that they will work, that they will give toward my election, then I will run."



Pat Robertson making a point at a recent news conference.

Arthur Burns, Ex-Chief Of the Fed, Is Dead at 83

By Bart Barnes
Washington Post Service

WASHINGTON — Arthur F. Burns, 83, who served as chairman of the Federal Reserve Board, an economic adviser to four presidents and U.S. ambassador to West Germany, died Friday of complications following a triple-bypass heart operation in April.

An economist who had taught at Columbia and Rutgers universities, Mr. Burns also served as chairman of the Council of Economic Advisors under President Eisenhower. He was credited with transforming the council into a kind of economic general staff for the White House.

The administrations of Presidents Kennedy and Johnson called on him for advice on economics, and he served as President Ronald Reagan's ambassador to West Germany from 1981 to 1985.

Mr. Burns was chairman of the Federal Reserve Board, the nation's central bank, from 1970 to 1978, serving under Presidents Richard M. Nixon, Gerald R. Ford and Jimmy Carter.

To the nation's business and banking community, he was a symbol of fiscal stability who struggled to check inflation and curb government spending. On Capitol Hill he was held in a kind of veneration normally reserved for presidents, even by representatives and senators who disagreed with his policies.

He was a jealous protector of the Fed's independence from other government agencies, and he was not afraid to disagree with the White House.

In 1977 Mr. Burns' opposition was instrumental in killing a proposal by Mr. Carter for a tax rebate of \$50 per person.

He drew the wrath of the Nixon White House in 1971 with a call for wage and price controls, an act that brought a bitter personal attack — and subsequently an apology from a White House aide, Charles W. Colson.

He was accused in 1972 of having deliberately promoted an easy money policy at the Fed in an effort to assist Mr. Nixon's re-election, a charge he denied.

With his omnipresent pipe, his shock of unruly silver hair and his deliberate and cautious manner of speech, Mr. Burns appeared every inch the university professor. He was once characterized as the slowest talker and fastest thinker in Washington.

As an economist he was a pioneer in the study and theory of business cycles. While he doubted that economic fluctuations could ever be eliminated, he did believe that they could be held within tolerable limits.

He opposed large expansions or contractions in the money supply, and he believed that economic trends could be forecast by studying such basic indicators as construction starts and stock prices.

He was a conservative who also believed that the federal government should act as an employer of last resort, and he opposed taxing any income under \$3,500. "Why tax poverty?" was his reasoning.

He was born Arthur Frank Burns in Stanislaus, a part of Austria-Hungary that is now in the Soviet

AMERICAN TOPICS



TWIN BILL — The twins Don Shaw, left, and Ron Shaw look after their newborns. The twins married twin sisters, Dawn and Shanne, seven years ago in a double ceremony. Both women delivered within hours of each other but neither had twins.

Black Players Draw Unwitting Racial Slurs

Larry Bird of the Boston Celtics is a fine basketball player who happens to be white, writes Rhonda Lamar Ponder in the New York Times, and it is not Mr. Bird's fault that what one hears on television and reads in the newspapers is that Larry Bird's skill rests on 'intelligence' and 'hard work,' whereas a black player's skill is something natural, unconscious, God-given.

Mr. Ponder, a professor of constitutional law at the City College of New York, quotes Isaiah Thomas, a guard for the Detroit Pistons, on how black players are described in the media: "When Bird makes a great play, it's due to his thinking and his work habits. It's not the case for black players. All we do is run and jump. We never practice or give a thought to how we play. It's like I came dribbling out of my mother's womb."

Mr. Ponder resumes: "Take, for example, the vocabulary of sports-casting. Most people with any sense of pride must watch TV sports with a resilient spirit or with the sound turned down."

In a recent game on television, "the word 'smart' was used only once, and then in reference to Bird." He continued: "Only Bird, it was suggested, knew how and when to stop, fake and shoot. As for the black players, they were wondrous to

Short Takes

The validity of the Scholastic Aptitude Test (SAT) is being increasingly questioned. Middlebury College in Vermont and Union College in New York said this spring that they would no longer require applicants to take the SAT, a staple in college admissions for five decades. In Maine, Bates and Bowdoin colleges have not required SAT scores in years. Some educators are concerned that the test does not predict college performance as well as high school grades and that it gives an advantage to students whose families can afford high-priced test-preparation courses. The anti-SAT movement is hardly a stampede, however: 1,600 colleges still use the SAT, including 400 that have joined the program in the past five years.

"Great (that) Tough to market!" That was the experts' assessment of "River's Edge," a somber film loosely based on the real murder of a 14-year-old

Milpitas, California, high school pupil by her 16-year-old boyfriend.

He took his schoolmates to view the corpse, but for two days nobody called the police. The film, produced by the small Hemdale studio, played to full houses in New York and Los Angeles for three weeks before distribution was expanded. Russell Schwartz of Island Films, the distributor, attributed its success to "bleak chic."

Postmaster General Preston R. Titch says he wants to create a fleet of mobile postal vans, fashioned after the familiar ice cream truck, that would dispense stamps and other postal services to neighborhoods. "My goal," he said, "is to do whatever is needed to establish the Postal Service as the leading service enterprise in America."

The image of the Virgin Mary seemingly appeared on the side of an empty house in Hanover Township, Pennsylvania, after a new street light was installed last month. People streamed into the community to kneel and pray before the image. Then the police asked a neighbor, Richard Chintilla, to open one of his windows, ending a reflection from the street light, and the image disappeared. To make sure it does not reappear, the township is moving the light to a different pole.

—ARTHUR HIGBEE

Republicans Link Drop In Funds to Iran Affair

By E.J. Dionne Jr.
New York Times Service

NEW ORLEANS — Contributions to the Republican Party have dropped by about 8 percent this year, depressed at least in part by the Iran-contra affair, according to the Republican national chairman.

The chairman, Frank J. Fabrenkopf Jr., said Thursday that the party would have to cut its annual budget by about \$2.9 million.

He said the party also was suffering because it was in competition with seven Republican presidential candidates who are trying to fill their own campaign coffers. He said that direct-mail fund raising generally had suffered from the controversy over the Reverend Jim Bakker and his fall from the leadership of the PTL television ministry.

At a meeting of the national committee in New Orleans, where the Republicans will hold their national convention in August 1988, Mr. Fabrenkopf also said the party would seek to persuade conservative Southern Democrats to vote in Republican presidential primaries next year.

He predicted that the effort by Southern Democrats to concentrate their state presidential primaries on one day, March 8, would prove to be "a drastic mistake" because "vast numbers of conservative Democrats" could end up casting their ballots in Republican contests.

"The Republican Party is going to have a much more conservative slate of candidates on the ballot than the Democrats will," Mr. Fabrenkopf said. He said the Democratic primaries would be dominated by blacks "voting almost monolithically" for the Reverend Jesse L. Jackson, and by more liberal Southerners, who, he said, are out of step with regional sentiment. He said the national committee would assist Southern state parties in developing programs to entice Democrats to vote for a Republican presidential candidate.

Eight Southern and border states — Alabama, Arkansas, Georgia, Mississippi, Missouri, Tennessee, Texas and Virginia — either do not have registration by party or have

Chicago's Mayor Gets His First Ally As Party Leader

By Edward R. Vrdolyak
Chicago Post-Examiner

CHICAGO — Edward R. Vrdolyak, the chief political foe of Mayor Harold Washington, has been replaced as chairman of the Cook County Democratic Party by George Dunne, an ally of the mayor.

The election on Thursday of Mr. Dunne as the party chairman consolidated political power for the mayor, who will have an ally in the post for the first time since his first election, in 1983.

Mr. Vrdolyak, who wrested control of the party from Mr. Dunne in 1982, resigned amid speculation that he will join the Republicans.

A product of the old Irish wing of the Democratic Party, Mr. Dunne was favored by Mr. Washington as a "unity leader" who could mend the divisions in the party, which often has split along racial lines. He was one of the few Democratic leaders to support Mr. Washington, the first black mayor of Chicago.

Oral Roberts Says He Raised Dead

United Press International

TULSA, Oklahoma — Oral Roberts, the television evangelist, has claimed at a religious conference that he had raised people from the dead, but he declined to discuss the resurrections.

"I've had to stop a sermon, go back, and raise a dead person," Mr. Roberts said Thursday night at a conference at Oral Roberts University. "It did improve my altar call that night."

Mr. Roberts, who earlier this year told his faithful that he would die unless they donated \$8 million to his ministry, said he could not go into details about raising the dead and moved to other topics.

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A Sad Day at the Vatican

Pope John Paul II is a virtuoso at sending subtle signals. Consider the distance and disapproval he managed to convey in his recent meeting with Chile's dictator, General Augusto Pinochet. But the pontiff's subtlety deserted him Thursday at the Vatican when he welcomed Kurt Waldheim...

Biggest Debt Gets Worse

By the end of 1985, the United States had run up a foreign debt larger than Brazil's. By the end of 1986, that foreign debt was larger than those of Brazil, Mexico and Argentina put together.

Trade: It's Good, and Bad

At last! The 40 percent decline in the dollar is finally evident in improved trade statistics. That's the good news. But without further painful actions, the present \$160 billion trade deficit will level off in a few years at about \$100 billion.

Other Comment

More Smut in Washington
Several nasty little piles of personal dung briefly disfigured Britain's election campaign. A number of libel writs were issued, some still await resolution.

Mr. Bush has saddled himself, over six years, with an image of heaped boredom. But there is also potential blackness to the farce. If any smears, wherever they come from, are in any respect found to have substance, then a smirking Washington will swiftly don its mask of prurient outrage and burn Mr. Bush's last chances of the presidency.

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Managing Dir. Asia: Michael Richardson, 5 Conventry Rd, Hong Kong. Tel: 549-0016. Telex: 01170



The Contra Follies Are Still Playing in Washington

PARIS — Attempts to force some clarity on whether a cease-fire exists for a political settlement in Central America are sputtering again. Evidence points to another muted fight between U.S. Secretary of State George Shultz and the National Security Council, the NSC, despite the change in White House advisers.

Bureaucrats: The Bane of Both Gorbachev and Czar

VIENNA — What a difference a year makes! A year ago, in Leningrad, Soviet economists bitterly defended the economic status quo and criticized a foreign visitor who dared to suggest that radical reform might be necessary.

Enough of This Rumormongering

WASHINGTON — Even for incessantly gossipy Washington, the rumor mills have been working overtime of late. Phone calls about the supposed behavior of public figures are numerous. Most deal with presidential candidates, though some concern alleged sexual rings, gay and straight, and they all come in the guise of whispered inquiries or tips.

LETTER TO THE EDITOR

Those Roads to Change
Regarding the feature "20 Years on the Back Roads of America" (June 18) by Charles Kuralt:
Coming from a small town in Minnesota, I grew up knowing some of the back roads Mr. Kuralt so diligently sought out. I can agree with what he has found involving the general attitude and friendliness of the people.

South Korea's a Prisoner Of Its Own Rapid Success

By Michael Robinson
SEOUL — Americans, smug in a 200-year tradition of stable politics, often wonder why upwardly mobile and highly educated societies like that in South Korea cannot find a mechanism for orderly dialogue and political give-and-take.

South Korea has done in 50 years what took 200 in the West.

There are more than 100 institutions of higher education and hundreds of thousands of students, and their effect is magnified because they are concentrated in the national and provincial capitals.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Grand Prix Finish
DIEPPE — Boillot, driving a Peugeot machine, today [June 26] won the Grand Prix de l'Automobile Club de France, with Wagner, at the steering wheel of a F.I.A.T., second. Boillot's time for the 20 laps of the circuit of 77 kilometres — a total of 1,540 kilometres, half of which was covered yesterday — was 13 hours, 38 minutes, 2 seconds. Wagner's time was 14 hours, 38 minutes, 8 seconds. The winner's average [speed] was 110 kilometres an hour.

1937: King Carol's Visit

WARSAW — A special train of 12 coaches brought to Warsaw this evening [June 26] King Carol and Crown Prince Michael of Romania, accompanied by their military, civil and diplomatic staffs. They were met and embraced at the station by President Mociński and Marshal Smigaj-Rydz, army chief, and then they drove through the crowded streets, profusely decorated with Polish and Romanian flags.

Vertical text on the right edge of the page, including 'President' and 'Cited'.

سكزا من لامل

a Prison... pid Succ...

Protesters Throw Rocks At President Of Brazil

Compiled by Our Staff From Dispatches RIO DE JANEIRO — President José Sarney narrowly escaped injury from rock-throwing protesters Thursday night...

Witnesses said he narrowly missed being hit when the presidential bus, surrounded by chanting demonstrators...

The Estado de São Paulo newspaper called it the "most violent popular demonstration against a president of the republic since 1979"...



Justice Powell announcing his retirement on Friday.

COURT: Powell Is Retiring

(Continued from Page 1) country owed him "a great debt" for his long service on the court.

BELGRADE: Braced for Crises

(Continued from Page 1) under their jurisdiction belong in that category.



Prime Minister Mikulic has not established himself as a leader who can seize as much political power as the system allows.



Branko Mikulic

Rights Advocates Bitter Over Argentine Amnesty

BUENOS AIRES — The acclaimed human rights policy that helped bring President Raúl Alfonsín to office has collapsed...

Critics contend that the government has sacrificed basic ethics with Mr. Alfonsín's "due obedience" law...

"A man who steals a pocketbook is thrown into jail, and the man who has tortured goes free," said Ernesto Sabato...

Among those freed is an officer who gained notoriety in Argentina and abroad, Alfredo Astiz, a navy lieutenant who was convicted last year of abducting a teen-age Swedish girl...

Yugoslavia has never defaulted on its debt, a senior Western diplomat said.

Diplomats judge him negatively for not being before the nation earlier this year, when a rash of wage increases was threatening to destroy the chances for economic stabilization...

Bozo Kovac, editor of Delof, the Ljubljana daily and chairman of the Federal Parliament Committee on Internal Affairs, said: "It is very risky to say we need more central power."

"We need more initiative and less interference," said Stanislav Valant, executive vice president of Ljubljanska Banka.

The two-day meeting is expected to approve measures intended to reduce tension between ethnic Albanians and Serbs...

Serbs, Montenegrins Protest Ethnic Albanian Influence

Several hundred Serbs and Montenegrins from the southern province of Kosovo, ignoring government pleas to stay home...

Libyan Fighters Approached A U.S. Cruiser

WASHINGTON — Libyan jet fighters twice last week flew so near a U.S. Navy cruiser in the Mediterranean that the ship's crew was forced to man battle stations...

GULF: Missouri to Sail

(Continued from Page 1) Iranian forces in the Iran-Iraq war, because Kuwait is an ally of Iraq.

UFOs Cited In Pentagon Documents

WASHINGTON — A group that monitors reports of UFOs has made public Pentagon documents that report sightings of unidentified flying objects by soldiers at military bases in the United States.

Dale Goudie, president of the UFO Information Service in Seattle, said Thursday that the Defense Department documents were provided to him under the Freedom of Information Act.

Mr. Goudie, an advertising consultant, suggested that the U.S. government was covering up what it knew about UFOs to avoid causing panic.

Search for Replacement

Mr. Baker, the White House chief of staff, said Mr. Reagan probably would not begin considering a successor to Mr. Powell until Monday.

Another name mentioned as a candidate to replace Justice Powell is Richard Posner, a federal appeals court judge in Chicago.

The possible nomination of Mr. Hatch has a hitch. The U.S. Constitution says no member of Congress during the term for which he was elected shall be named to any office...

KOREA: Demonstrators Rampage

(Continued from Page 1) were not overpowered as they had been on several recent days. But there have been partly because that may have been partly because dissidents shifted tactics to appear more restrained...

Positive Step Cited

A Reagan administration official said Friday that meetings between President Chun and opposition leaders were an initial step toward political compromise.

INTERNATIONAL EDUCATION DIRECTORY. Includes sections for France, United Kingdom, Austria, Europe, and U.S.A. with details on various schools and programs.

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Egypt: Fundamental Questions

IN THE NEWS

Jan 17: Mubarak Condemns U.S. Arms Sales to Iran
 In an interview with a Gulf newspaper, President Hosni Mubarak says the U.S. has lost its credibility in the Arab region as a result of its arms sales to Iran. The president, whose country supports Iraq in the war with Iran, later refused to meet with President Ronald Reagan.

April 6: Elections Boost Opposition Alliance Party
 In nationwide elections marred by opposition charges of fraud and violence, Mr. Mubarak's National Democratic Party retains a two-thirds majority in the People's Assembly but is faced with a stronger and more diverse opposition. The head of the opposition alliance, Ibrahim Shukri, intends to fight for the abolition of emergency laws and the review of all laws for compliance with Islamic teachings.

May 22: Paris Club Stretches Debt Repayment
 In a major reorganization of Egypt's debt, the Paris Club stretches Egypt's debt repayment over 10 years, including a five-year grace period. The agreement follows an earlier pact with the International Monetary Fund, which accorded Egypt a \$327 million loan over 18 months.

May 27: U.S. Diplomats Escape Assassination Attempt
 Two American embassy security officers narrowly escape assassination as they were driving to work in Cairo. Responsibility for the attack was claimed by Egypt's Revolution. The group has claimed responsibility for several previous attacks, including the killing of Israeli diplomats in Egypt and the hijacking of an Egyptian airliner to Malta in November 1985.

June 8: Police Detain Moslem Fundamentalists
 Egyptian police detain about 500 Moslem fundamentalists in an attempt to slow three assassination attempts in just over a month. The attempts were against an Egyptian magazine editor and two American diplomats.

IN THIS REPORT

Fixing Priorities 8
 Achieving stability by dealing with the basic needs of the population is the priority for President Hosni Mubarak's second term, beginning in October.

Peace Process 9
 Relations with Israel remain cordial, but fragile five years after Israel invaded Lebanon, and Egyptian officials are gratified that the stigma of the separate peace has decreased.

Industry 9
 Growth of industry is gaining momentum with firm backing from the government.

Soviet Aid 10
 Seen from Cairo, a major change in the region has been the re-emergence of the Soviet Union in an active and subtle role.

Productivity 11
 As the Egyptian economy continues its struggle toward growth, planners envision a better life.

Banking 11
 After three years of difficulties, Egyptian banks are posting an improved performance while trying to cope with official restraints.



An Egyptian iron and steel mill.

Youth Has An Agenda Of Change

By Tahseen Basheer

CAIRO — Seen from the outside, Egypt looks like a magical kaleidoscope that produces rich images of people, historical periods, religious creeds and psychological moods. Egypt is eternal: Arab, Moslem, Coptic, Pharaonic, nonaligned.

POINT OF VIEW

country and the institutions tend to dominate the stage, the Egyptians look like side actors in a play staged and performed by others.

By contrast, new generations of Egyptians looking at their country from the inside see it as a dynamic, living organism in the process of developing as a result of their own efforts.

Each new generation tries to shape a new Egypt. Each generation — armed with new social and political beliefs — is struggling against the status quo and for a better life. For the young, Egypt, though eternal, is in a state of flux.

For those who are born and will grow up and die in this ancient land, Egypt is a country that struggles to rid itself of internal and external shackles and must acquire new structures to give its people prosperity and peace.

The most crucial and lasting dimension of the new Egypt is the rapid population increase. The census of April 1987 put the total at 50 million. It took about 50 years for the population to double, between 1897 and 1947. Then it doubled again within 30 years, between 1947 and 1976. To appreciate the political significance of this change one has to look at the figures for 1976 to 1986. During those 10 years, the country's population grew by a staggering 12 million — more than the population of Jordan, Israel, the West Bank and Gaza combined. In fact, Greater Cairo today has 10 million people, which makes it one of the three most



David Gomard

populous cities in the world along with Tokyo and Mexico City.

This huge population increase is taking place in an area that is limited to about 4 percent of the surface of Egypt — an area that is green and arable and congested. The green fields are being squeezed by the spread of urban settlements on the best soil of the Nile, while the newly reclaimed areas are on marginal land in the desert.

Traditionally, the Egyptians migrated little, and when they did, it was nearly always within their own country. But now the pressure of numbers has produced a new phenomenon: the migrant Egyptian.

The number of Egyptians living outside the country increased from 3.7 percent of the population in 1976 to 4.5 percent in 1987. This adds up to about 2.25 million Egyptians, most of them work-

ing in temporary jobs in the Gulf and only a few of them choosing permanent emigration to the United States, Canada and Australia.

The economic, political and employment climate of the Gulf states has a direct impact on the life of many Egyptians. Each Egyptian working abroad helps feed at least five members of his family at home. Working abroad is a safety valve for many university graduates who cannot find gainful employment in Egypt.

Of the adult population, 4.7 percent have a university degree. Women represent 25 percent of the university population.

The census profile shows that illiteracy has been reduced to 49.4 percent of the population, from

Islam Challenges Secular Society

A Critical Debate

Increasing militancy is felt in politics and in the street.

By Henry Tanner

CAIRO — Among all of Egypt's problems, including overpopulation, lack of arable land and water, and war and peace in the region, the one that is most often and most passionately debated these days is the rise of Islam.

Religious feeling among ordinary citizens is rising; the political power of the Ikhwan, as the Moslem Brotherhood calls itself, has grown dramatically; Islamic financial institutions are multiplying their economic strength and influence; and beneath the surface there is the troubling, sometimes menacing and always elusive presence of an untold number of clandestine groups of Moslem extremists, some of them with a proven willingness to resort to arson and assassination.

All this is transforming the national

landscape and having an effect on the everyday lives of people: on marriage, the schooling of children, the choice of a doctor, the size of the rent and the chances of getting a job. And it finds its most visible expression — a collective, nationwide show of belonging — in the traditional Moslem dress worn by more and more women and the beards and white skull caps worn by an increasing number of men.

Three failed assassination attempts in Cairo have caused some tension. A former interior minister was seriously injured and a newspaper editor suffered slight injuries in attacks by gunmen. Islamic extremists are blamed in both attacks although no evidence has been made public. Non-Islamic extremists of the far left are suspected to be behind a third recent attack — shots fired at a car carrying two American diplomats.

Islam's newly won political clout was brought home by the national election in April. The Ikhwan, even though still an illegal organization, won 36 seats in the National Assembly, four times the number it gained in the last election three years ago. It got around the ban by entering into an electoral alliance with two legal parties. Using the language of the preachers in the mosques, it dominated the campaign.

The National Assembly has 448 seats, and President Hosni Mubarak's ruling National Democratic Party (NDP) got 338 of them, pending several court actions brought by opposition parties.

But the Islamic victory was more than a matter of figures. Even though Mr. Mubarak is conducting a policy of widening the still limited scope of Egyptian democracy, the time has not yet come when a government will allow itself to be defeated at the polls. Oppo-

HENRY TANNER is on the staff of the International Herald Tribune. He reported on the Middle East for The New York Times from 1972 to 1983. He was Cairo bureau chief for The New York Times from 1972 to 1977.

Continued on page 10

Continued on page 8

Cairo Wins New Aid Amid Controversy

By Clyde H. Farnsworth

WASHINGTON — For years American development specialists have been frustrated by Egypt, the most populous Arab nation with 50.5 million people half of whom are under 21, \$40 billion of debt, great pockets of poverty and widespread corruption.

The United States, Japan, European countries and international lending institutions have pumped billions of dollars into the Egyptian economy only to see its progressive deterioration as spending continues to outstrip revenues and trade deficits widen.

It is a country that used to export food but now must import half of its requirements. It also must find jobs for more than 450,000 people every year to prevent further rises in an unemployment rate that is so high already that no one can count it reliably.

Yet geopolitically, Egypt is one of the most strategically placed countries in the world and is a close friend of the United States. A signer of the 1978 Camp David accords with Israel, Cairo is one of the keys to the peace process in the Middle East.

At the same time, it ranks as the second most populous country on the African continent, after Nigeria, and participates actively in African organizations. It shares Washington's dislike of Libya and has strongly opposed a Libyan presence in Sudan.

Washington, which gives Egypt about \$2.5 billion a year in civilian and military assistance (against \$3 billion a year for Israel), had long urged President Hosni Mubarak to seek help from the International Monetary Fund to revamp and restructure his economy.

Last December, the U.S. Embassy in Cairo sent a report to the State Department starkly concluding that Egypt's economy "has been stagnant for two years. It is suffering from economic distortions and is not poised to resume growth without economic reforms."

The IMF is like an international financial doctor. It helps countries reform their economies, but sometimes its medicine is unpleasant. Egypt's last experience with IMF medicine was not a happy one.

In 1977, the IMF had recommended that Egypt end heavy subsidies for food. The idea was to lift prices and encourage farmers to grow more. But higher prices for bread touched off street violence that led then President Anwar Sadat to send the IMF packing.

Last May 16, Mr. Mubarak, whose economic position had been further weakened by last year's decline in oil prices, got the IMF to agree to lend Egypt \$327 million over 18 months in return for promises to curb

budget deficits, reduce the role of government in the economy, encourage market forces and devalue the Egyptian pound.

Now there are some who suggest that the IMF may have agreed too quickly to lend Egypt the money and that there indeed may have been some quiet arm-twisting by the United States, the IMF's biggest shareholder, to bring the IMF along.

The pact was important to Egypt not just for the \$327 million but the additional sums it will open up both from other countries and multilateral lenders such as the World Bank. The IMF agreement has already won Cai-

There may have been some quiet arm-twisting from the United States.

ro a rescheduling agreement covering \$11.5 billion of debts owed to the so-called Paris Club of government creditors from the industrial countries.

Shortly before last month's accord, the World Bank, after three years of "technical" delays, signed \$374 million of loan agreements covering projects to help export promotion, small-scale industry and agricultural development.

Hundreds of millions of dollars of additional World Bank loans may be signed shortly to help the agriculture and construction industries, World Bank officials said.

At both the bank and the IMF there has been some concern expressed over the "politicization" of lending to Egypt — allegedly to reward Mr. Mubarak for continuing to align Egypt with U.S. foreign policy interests.

C. David Finch, the director of the IMF's exchange and trade relations department, resigned in early May to express his concern that the IMF was being subjected to too much political pressure, according to monetary officials.

Mr. Finch's department is concerned with the application of conditionality on an even-handed basis, and so it is especially sensitive to any lessening of the standards for one country.

Although he is joining the Institute for International Economics, a Washington-based think tank, next month, Mr. Finch was in his native Australia for a visit when this

CLYDE H. FARNSWORTH is a financial writer for The New York Times based in Washington.

Continued on page 11

AL RAYAN

THE OPEN DOOR TO INVESTMENT

الريان للاستثمارات العقارية وأبراج هارون بالدق والمعادى والهرم.

- مزارع الريان للشروة الحيوانية ومنافذ البيع بمصر الجديدة والدقى والحوامدية على أعلى مستوى.
- مجازر الريان الآلية وتصنيع اللحوم ومصنفااتها.
- الريان الوطنية للمخابز الآلية ش.م.م.
- الريان للغلال بالكيلو ٩٦ بطريق مصر إسكندرية الصحراوي.
- الريان للأخشاب وحديد التسليح.
- الريان الوطنية للمفروشات والملابس المطرزة.
- الريان الوطنية لصناعة الملابس الجاهزة.
- الريان الوطنية للنقل.
- الريان لمواد البناء أكبر مجمع لتصنيع الطوب والبلاط.
- محطات الريان لخدمة وتموين السيارات.
- شركة الريان العربية للمنظفات لإنتاج مسحوق الفسيل سكاى وستريم ومسحوق الريان.
- دار الريان للتراث لنشر وطباعة كتب التراث إنتاج الكراريس والكشاكيل بأسعار لا تقبل المنافسة.

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Rise of Islam Poses a Challenge to Secular Society

Continued from page 7

sition candidates suffered pressures, there was sporadic violence and the counting of ballots is open to doubt in some precincts.

What counts most in the eyes of many politicians is that the Ikhwan emerged as the most powerful opposition force in the country. It left the legal opposition parties far behind and overshadowed even the venerable Wafd, the still popular old party that had ruled Egypt before Gamal Abdel Nasser's revolution in 1952 and that has been fighting for a comeback.

Even more ominously, the government was plainly surprised by the size of the Ikhwan vote.

"We underestimated them," an official said. "Their strength goes far beyond their vote. They have support in all parties, including the ruling NDP."

Mustapha Khalil, the NDP spokesman, told interviewers just before the vote that the Moslem Brothers were good at sloganeering during the campaign but would fail to make an impact on election day.

And a prominent member of Egypt's divided secular Left, which includes Nasserites, Arab Socialists and Marxists, many of them big city intellectuals, summed up the result with a paraphrase of the tale about the king and the little boy: "We have only just found out that we are wearing no clothes. We are talking a language that is no longer understood."

The implications for Mr. Mubarak are stark as he approaches the end of his first six-year term in October.

In the past, he had hinted on occasion that he might not run for a second term. But now it is clear that he will. He has to be nominated by a two-thirds majority of the National Assembly in early August and then will "campaign" as the only candidate for about two months before being confirmed by popular vote in a plebiscite. There is no doubt about the outcome. He is limited to two terms under the constitution.

The president's basic policy is to gradually turn over to the National Assembly an increasingly wide range of responsibilities, though not of power. He wants this to be a gradual, limited and strictly controlled process. The Assembly is to debate, if not to decide, the principal economic and political issues.

The licensing of five opposition parties was part of this process.

Since the Ikhwan professes to be moderate and accepts the electoral process, and since it clearly represents a major part of public opinion, he could not keep it from running without reversing the trend toward greater democracy.

The Ikhwan, moreover, has been anxious to deny any link with violent groups. After the attack on Hassan Abu Basma, the former interior minister, the Ikhwan headquarters called foreign correspondents and dictated a communiqué con-



Classroom of an Islamic school in Cairo.

demning the attack and calling for nonviolence. The organization's spokesman, Gabr Rizk, in an interview at party headquarters, claimed that his organization had "absolutely no links" with the many shadowy groups of extremists that advocate and practice violence — and assassinated Anwar Sadat.

Many influential Egyptians, including some government officials, nevertheless believe that Mr. Mubarak made a fateful mistake when he decided to give the Ikhwan its chance to operate as a political party, if only under the umbrella of an electoral alliance with legal parties.

"These people [the Ikhwan] are not moderates. Their moderation is a front. What they want is power — take over the country. If the [violent] Islamic groups take to the streets and opportunity beckons, they will make common cause with them," said an official speaking privately.

The official hope is that the Ikhwan, as a legitimate opposition in the National Assembly, will act as a psychological and

political safety valve and lessen the appeal of the clandestine Islamic groups.

The Ikhwan, in its moderate contemporary garb, has its roots in the Moslem Brotherhood, which was founded in 1928 and grew to be major force in the 1940s, when it had an underground military wing and might have succeeded in turning Egypt into an Islamic republic had it not been for the Nasserite revolution of 1952. Nasser liquidated the Brotherhood and put many of its members in jail, where they remained until Sadat freed them in the 1970s.

The five youngest members of the National Assembly are Moslem Brothers, and some are the sons and nephews of men who spent their lives in prison. One, Ahmed el-Banna, is the son of the Brotherhood's founder, Hassan el-Banna.

The Ikhwan's central political demand is to replace the country's Western legal system with Sharia, or Islamic law. It points out that the 1980 constitution passed by Sadat made Sharia "the principal source" of Egyptian law but that little

has been done to translate this into practice.

This was one of the Ikhwan candidates' most potent arguments in their bid for the Islamic vote. In private, they tone down their demand so as to lessen its impact on secular Egyptians. "We do not set a time limit for the introduction of Sharia," said Mr. Rizk, the Ikhwan spokesman.

Moderate Moslem Brothers in the National Assembly are under attack from the fundamentalists belonging to a multitude of Islamic Councils, many of which are small semi-clandestine cells with only a handful of members grouped around one leader, perhaps one mosque or one preacher, and often at odds with each other over religious doctrine or political tactics.

MANY but not all of these groups are ready to resort to violence. Their members may be known only to their neighbors and to the police, which have been making periodic mass arrests running into the thousands. Police repression against fundamentalist groups is as much part of government policy as political accommodation with the moderates.

Estimates of the numerical strength of these groups are by nature difficult. An Egyptian specialist believes that they have as many as 100,000 members of all kinds and can enlist many times this number when needed. A major foreign embassy puts the figure at about 70,000.

Mr. Mubarak is given credit for dealing honestly with the problem. Even most of his opponents say that he is genuinely convinced that it is better to have the Islamic position stated in the Assembly instead of hearing it voiced only in the mosques and the streets. Sadat, by contrast, is widely seen as having courted the Islamic establishment as a means to beat the secular opposition.

In the opening session of the newly elected Assembly, the agenda called for ratification of Egypt's loan agreements with the International Monetary Fund and other creditors. One of the first speakers was a Moslem Brother. He pleaded for rejection on the ground that interest payments were against the Koran. The speaker, a university professor, responded with a lecture on the realities of international finance and offered to withdraw the agreements if the Ikhwan secured new interest-free loans. The Moslem deputies did not pursue the issue. None of them voted against ratification and only seven abstained, but Ikhwan members and government supporters have clashed vehemently on other issues.

One of the president's advisers cited the episode as a first hint that Mr. Mubarak's strategy of bringing the Moslem Brothers into the open may be paying off.

The government is seeking ways to deal with the powerful Islamic financial institutions, which operate on the fringe of the national economy and have amassed many billions of dollars in deposits from as many as a million small

investors. They are using their capital for Islamic projects, for the funding of political activities by the Ikhwan and other Islamic groups and, on occasion, as just before the recent devaluation of the Egyptian pound, to sabotage government policies.

There are seven such Islamic holding companies. Their funds stem largely from Egyptians who have been working in the Gulf. They have been buying movie theaters (which now show only Islamic

The Ikhwan emerged as the most powerful opposition force in the country.

films) and restaurants and bars (which no longer serve liquor) and a variety of other leisure investments.

They have been known to pay depositors more than 35 percent interest, calling it "profit" to conform to the Koran. The government charges that they speculate in gold and silver and the black market and that a large part of their "profits" was drawn from new deposits, which, therefore, would be wiped out if the financial tide turned.

Both to protect the small depositors and to curb the invisible power of these institutions, the government wants to put them under central bank supervision and to force them to keep regular accounts that are open to inspection.

Religious fervor has risen dramatically among Egypt's Christian Copts as well as its Moslems.

The decisive turn, most agree, came after the catastrophic defeat of 1967 at the hands of Israel. Then, the death of Nasser in 1970 removed a father figure and meant the end of Egyptian Pan-Arabism, which had been a creed for many.

Sadat played on religious emotions with a constant public display of his devotion while at the same time plunging into wholesale importation of Western goods and values and offending believers with such gestures as publicly saying that women wearing Moslem dress looked like "moving tents." When he sent his army across the Suez Canal in 1973, he called it "the Tenth of Ramadan War," because the date, Oct. 6, was the 10th day of the Islamic feast. This gave the war a religious connotation. Secular Egyptians call it the October War.

Throughout the years, economic woes never ceased and are recognized as one of the main sources of the average Egyptian's religious feeling.



President Hosni Mubarak on an official visit to France.

Mubarak's Goal: Political Stability

CAIRO — President Hosni Mubarak, in his first six-year term, has given Egypt political stability after the violent death of his predecessor and the communal strife in Upper Egypt that followed.

Stability, the president's advisers say, has been his foremost goal. In order to preserve it, they add, the basic needs of the population must be better taken care of in terms of jobs, income, education, transportation and housing. This is the priority for the president's second term, beginning in October.

The economy was in desperate straits last year because income from Egypt's four principal sources of revenue, oil, Suez Canal tolls, tourism and remittances from millions of workers abroad, had fallen off sharply and the accumulated debt burden had become unmanageable.

This summer, things are looking up a bit. The oil price is more stable, tourism has begun to improve and there are signs that the number of Egyptians working abroad may be stabilizing. The recent rescheduling agreements with the International Monetary Fund and with Western debtors and the Soviet Union are seen as giving the country a financial breathing spell of some years.

A gradual devaluation of the Egyptian pound and a cautious reform of basic pricing and wage policies is in its very first begin-

nings. The aim is to do away with some of the paralyzing practices that have been in existence for many generations while at the same time avoiding a social shock of the kind that caused bread riots in Cairo in February 1977 and nearly brought down President Anwar Sadat.

It will be 18 months or more before the reforms can be called a success or failure.

Many Egyptians feel that Mr. Mubarak's chief merit up till now has been his determination to widen the limited practice of Egyptian democracy. He has given opposition newspapers more freedom than they have had in 35 years and has allowed opposition parties to elect a limited number of members to the National Assembly.

One of his objectives has been to de-dramatize government after the turbulent Sadat years. One of the words he uses frequently is "national consensus."

His style, as he approaches his second term, remains sharply different from that of his two predecessors, Nasser and Sadat. He is deliberate and steady, and lacking charisma.

Summing up what he thinks is the general attitude of his countrymen toward their president, a prominent Egyptian said that Mr. Mubarak is respected for his integrity and earnestness but that they remain deeply critical of the slow pace of economic improvement.

Henry Tanner

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Capital	40.0	40.0
Total Loans	105.9	116.3
Total Deposits	160.9	168.2
Investments	9.3	5.7
Net Profits	6.2	6.3

(1985 US\$ = L.E 1.33 - 1986 US\$ = L.E 1.35)

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- 7 Nile Co. for Fodders and Chickens
- 8 Nile Co. for Projects and Trade
- 9 Nile Co. for Tourism
- 10 Modern Arab Co. for Timber Industries (MATIN)
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- 14 Nile Co. for Chemical Industries and Modern Packaging
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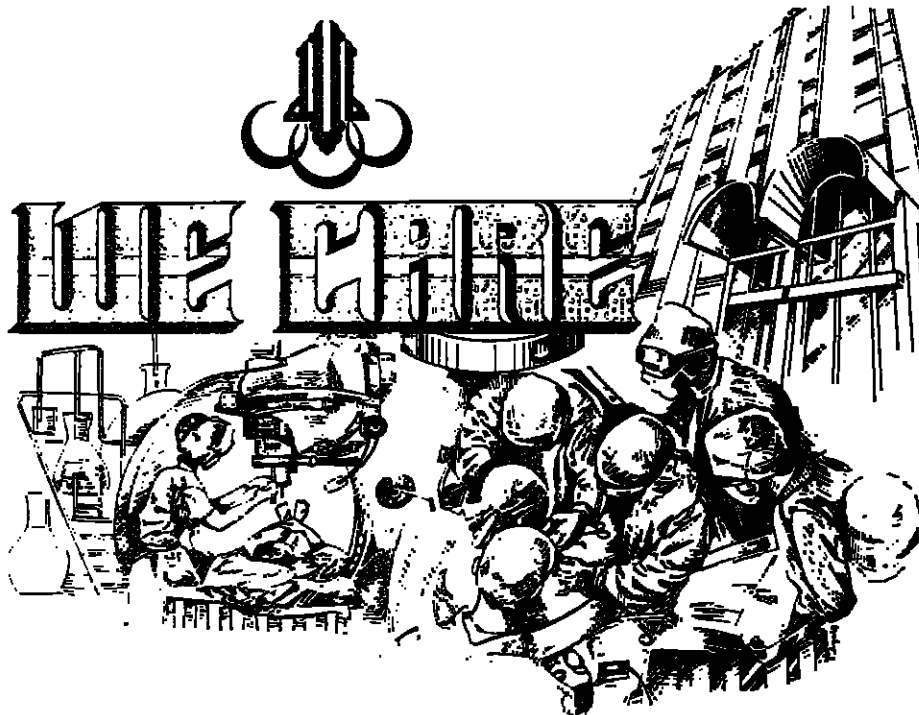
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Peace Process

Ties to Israel Remain Cordial, but Fragile

Satisfaction with peace has not translated into an appetite for close ties with Israel.

By Barbara Slavin

CAIRO—Only a half dozen Egyptian Foreign Ministry officials attended a reception here last month celebrating Israel's independence day, but their hosts were not disappointed.

"Those who were supposed to come, came," said an Israeli diplomat. "Last year, nobody did."

Eight years after Egypt and Israel signed their historic peace treaty, relations remain fragile and are measured in small gestures. Israeli hopes for full-scale exchanges in trade, tourism and culture have not been fulfilled. But for the past nine months, there have been no major crises either, something not taken for granted in this part of the world.

"Bilateral relations are going smoothly," said a senior Egyptian Foreign Ministry official. "There is nothing sensational, but there are no big problems. We have not totally recovered from what happened in Lebanon, but we are out of the intensive care ward if not yet convalescent."

Israel's invasion of Lebanon five years ago marked the low point in relations. Egyptians felt humiliated and infuriated by an action that they believed could not have taken place if Israel had had to worry about the possibility of Egyptian retaliation.

Unwilling to scrap the peace treaty barely a month after Israel had relinquished the Sinai desert in return for it, the government of President Hosni Mubarak froze bilateral ties. He summoned home his ambassador in September 1982 after Lebanese Christians massacred Palestinian refugees in an Israeli-politico sector of Beirut.

Relations did not re-emerge from the deep freeze until more than two years later, when a coalition government headed by the Labor Party leader, Shimon Peres, took power in Israel. Mr. Peres quickly set out to address key areas of Egyptian concern — withdrawal of Israeli troops from Lebanon, reviving the search for a comprehensive Arab-Israeli settlement and resolving a nagging bilateral dispute over a half-mile stretch of beach front called Taba, which Israel withheld when it returned the rest of Sinai in April 1982.



Prime Minister Shimon Peres, left, and President Hosni Mubarak at the Israeli-Egyptian summit meeting last September in Alexandria.

Mr. Peres eventually prevailed to some extent in all three areas but was fought most of the way by his coalition partner, the rightist Likud bloc. Internal Israeli dissension postponed agreement on referring Taba to binding international arbitration until last September, only a month before Mr. Peres was required to turn over the prime ministership to the Likud leader, Yitzhak Shamir.

As a result, Mr. Peres's meeting Sept. 11-12 with Mr. Mubarak in Alexandria, the first Egyptian-Israeli summit in five years, was anti-climatic, and 1986, which had been dubbed the "year of opportunity" for a wider Middle East peace, slipped by without a breakthrough.

As foreign minister, Mr. Peres has sought to keep a window of opportunity open. In February, he came to Egypt again and agreed with Mr. Mubarak to work toward an international peace conference in 1987. The Israeli leader also reportedly carried on backstage negotiations with Jordan's King Hussein on the format for such a conference.

But while momentum appeared to build for a time, Mr. Shamir's Likud bloc remained adamantly opposed. Mr. Peres failed last month in an attempt to break up the coalition over the peace issue and the prospects for new elections, before scheduled in the fall of 1988, are uncertain.

Egyptian officials, regarding Mr. Peres as the most flexible Israeli leader available, say they have not given up hope.

"Until now, he hasn't delivered what he promised, but he's still trying," the senior Foreign Ministry official said. "We are in a wait-and-see situation."

In the meantime, Egypt has slightly eased the bilateral atmosphere. It is represented again in Israel by an ambassador, albeit the same man who had been serving there previously as chargé d'affaires. A half dozen Israeli and Egyptian cabinet ministers have exchanged visits since September, and direct dial telephone service was finally introduced after Mr. Peres's trip to Egypt in February.

RESIDENT Mubarak has staunchly defended the peace treaty in both domestic and foreign forums such as the January summit meeting of Islamic Conference organization.

Egyptian officials are gratified that the stigma of the separate peace has gradually decreased as most other Arabs have come around to Egypt's view that a negotiated exchange of land for peace is the only solution to the Middle East crisis.

But satisfaction with peace has not translated into an appetite for close ties with the Jewish state. Trade and tourism remain largely one-way affairs. While more than 40,000 Israelis have visited Egypt this winter and spring, only a few hundred Egyptians went to Israel.

This year's trade, not counting the Sinai oil that Egypt is obliged to sell to Israel under the peace treaty, is not expected to exceed \$10 million, twice as much as last year but less than half what it was in 1982.

Israelis blame Egyptian bureaucracy for these low figures. Egyptian importers must apply for licenses to buy from Israel and tourists must obtain yellow permits. Both procedures expose applicants to unwelcome questioning by internal security police. The Egyptian media frequently attack Israel.

But there are larger psychological factors at work. Thousands of Egyptians were killed in four wars with Israel, and although Egypt bears its share of blame for those wars, the thought of spending money in Israel remains repellent to some Egyptians.

The accumulated bitterness and suspicion of 40 years has been augmented by the failure of efforts to expand the peace treaty. Israel's continued nonrecognition of Palestinian political rights and its military actions toward other Arabs, such as the 1985 bombing of a Palestine Liberation Organization enclave near Tunis. Egyptians also oppose Israel's military occupation and civilian Jewish settlements in the West Bank of Jordan and Gaza Strip.

Reluctance to visit Israel, which is less than an hour by plane or a day's ride by car, also has a religious basis in a nation of devout believers.

Many Moslems shun a country that in their view illegitimately controls Islam's third holiest site — the Al Aqsa mosque where the prophet Mohammed is believed to have ascended to heaven.

Egypt's Coptic Christians are also forbidden by the Coptic Church to visit Jerusalem because of Ethiopian Copts after the 1967 war and has not returned it to the Egyptian church.

The insistence by the former Israeli prime minister, Menachem Begin, that Mr. Mubarak visit Jerusalem if he came to Israel prevented such a visit from taking place. Analysts say it is hard to imagine Mr. Mubarak going to Israel in the future without a dramatic breakthrough toward a wider peace settlement.

"I don't think Mubarak attaches a lot of importance to what other Arabs think of his policy toward Israel," said a Western diplomat. "But he doesn't want to give internal critics, especially the [Islamic] fundamentalists, more handles."

Popular animosity toward Israel reflects frustration and disappointment that peace, and the massive U.S. aid that came with it, has not helped to ease Egypt's chronic economic problems.

"Peace has not brought prosperity, only dependence on the United States," said a young graduate of the American University of Cairo. "I'm not saying we should go to war, but peace wasn't fulfilled as it was meant to be."

BARBARA SLAVIN is a journalist based in Cairo.

POLITICAL PROFILES

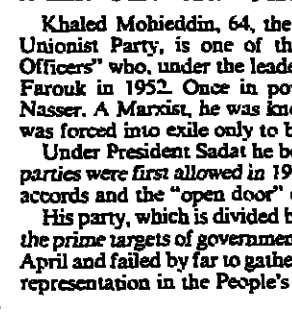


Mustapha Khalil

Mustapha Khalil, 66, a frequent spokesman for the National Democratic Party, is a civil engineer who got his first minister's post in the early days of Gamal Abdel Nasser. When President Anwar Sadat made history by going to Jerusalem, he picked Mr. Khalil as one of the few men to accompany him. In his party job, Mr. Khalil organized vital home-front support for Sadat during the Camp David negotiations.

Later, as prime minister and foreign minister, he acquired the reputation as a tough bargainer in the negotiations leading to the peace treaty with Israel in 1979. The National Democratic Party in which he is a driving force is a loose collection of many trends and individuals whose principal common trait is support for the president.

Khaled Mohieddin



Khaled Mohieddin, 64, the head of the leftist National Progressive Unionist Party, is one of the few surviving members of the "Free Officers" who, under the leadership of Nasser, seized power from King Farouk in 1952. Once in power, he had a stormy relationship with Nasser. A Marxist, he was known as the "red major" and at one point was forced into exile only to be called back as a leading editor.

Under President Sadat he became head of the leftist opposition when parties were first allowed in 1976 and spoke out against the Camp David accords and the "open door" economic policy.

His party, which is divided between many different groups, was one of the prime targets of government pressure during the election campaign in April and failed by far to gather the 8 percent of the electorate needed for representation in the People's Assembly.

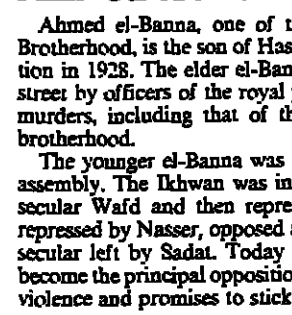


Ibrahim Mahmoud Shukri

Ibrahim Mahmoud Shukri, 70, head of the Socialist Labor Party, is the son of Mohammed Shukri Pasha, who was the keeper of the royal purse at Farouk's court. He went into politics in his teens as a militant anti-monarchist and is proud of the bullet wound he suffered when British police opened fire on strikers in 1935. He was jailed in the 1940s and released by Nasser.

When Sadat wanted a loyal opposition in 1978, he asked Mr. Shukri to form a party. He is the architect of the alliance between his party, the small Liberal Party and the Moslem Brotherhood, which permitted the latter to elect 36 candidates to the assembly even though officially it is still illegal. He remains close to the Moslem Brothers. He has recently grown a beard as worn by many devout Moslems.

Ahmed el-Banna



Ahmed el-Banna, one of the leaders of the Ikhwan, the Moslem Brotherhood, is the son of Hassan el-Banna, who founded the organization in 1928. The elder el-Banna was shot to death in 1949 in a Cairo street by officers of the royal police in civilian clothes after a series of murders, including that of the prime minister, were blamed on the brotherhood.

The younger el-Banna was a journalist before winning a seat in the assembly. The Ikhwan was in turn favored as a counterweight to the secular Wafd and then repressed by King Farouk, spared and then repressed by Nasser, opposed and then favored as a weapon against the secular left by Sadat. Today under President Hosni Mubarak, it has become the principal opposition in the assembly. It has come out against violence and promises to stick to a parliamentary role.

Fuad Serageddin, the senior statesman of the New Wafd, was a government minister under the king when the Wafd was the leading party. The party was founded in 1918 when the legislative assembly sent a "wafd," which means delegation in Arabic, to London to plead for full independence. It was dissolved by Nasser along with all other parties.

When Sadat readmitted some parties, he did not want to see the Wafd revived, but Mr. Serageddin went to court and won. The New Wafd had a short-lived success. Sadat introduced legislation forcing it to disband. Mr. Serageddin was among those arrested by Sadat shortly before Sadat's assassination. The party was relaunched in 1983.



Fuad Serageddin

Modernizing Plants

Industrial Shake-Up Spurs Expansion

By Ofat Tokamy

CAIRO—The growth of industry is gaining momentum with firm backing from the government.

This year, the government has been clearing away obstacles to expansion that date to the early 1970s, when the predominantly government-owned sector lost the priority it had had in the previous decade and began falling behind in technology, productivity, quality and volume of output.

The magnitude of the changes introduced in this sector over the period of the 1982-1987 five-year plan amounts to a general shake-up, which has been carried out with extensive investments made in modernizing plants. With two-thirds of budgeted allocations for industry going to rehabilitation of industries such as spinning and weaving have entered a new age.

The takeover of top management positions by a new generation of executives and the efforts to free industrial companies from bureaucratic control is having an increasing impact on the performance of these enterprises. Their output has grown by an average of 15 percent to 17 percent over the last five years.

"We are trying to lay solid foundations for healthy growth," said Industry Minister Mohammed Abdul Wahab, explaining that government-owned industrial plants are being "made economically viable, operating according to economic and not political principles."

A major step made in this direction, which accounts for the profitability of most of these companies after a long record of chronic losses, is the current attempt to shift state subsidization from production inputs to end products at the distribution stage, while state control over pricing of the final product disappears. The process is due to be finalized this year, the minister said.

The new attitude toward public-sector industries will, it is hoped, open the way for active private-sector participation in the next few development over the next few years. With government intervention in pricing removed and equal treatment given to the private sector in regards to private distribution, two of the private entrepreneurs' long-standing demands have been met.

Both sectors benefit from protective regulations issued last year, according to which the import of many manufactured goods has been restricted. However, government officials as well as private investors agree on the need for additional incentives for private participation in the upcoming phase of industrial growth. They are expected to contribute 8 billion Egyptian pounds (\$3.6 billion) out of 18 billion Egyptian pounds set as the target for new investments in this sector over the next five years.

The underlying theme of the next phase of expansion is import substitution, with priority given to agro-industries, sugar, cement, reinforced iron and electrical appliances. Expansion of the existing capacity for food canning and processing, medicine, paper, detergents and refined oil products to meet growing demand is another priority. To develop export-oriented industries during this phase, the stress is on increasing textile manufacturing capacity to allow the country to export fabrics or ready-made clothes rather than cotton yarn.

Industries such as steel, glass and basic petrochemicals are growing fast and new industries whose local content is expected to rise include passenger cars, personal computers and electronics.

IMPORTANT projects include the iron and steel complex at Dekheila, which was inaugurated in November with an annual production capacity of 750,000 tons, which is to rise to 1.1 million tons. Built with technical assistance from Japan at a cost of more than \$800 million, the project is helping fill a gap in demand for reinforced iron, whose imports amounted to \$300 million annually.

A boost is expected to be given to plastics with the upcoming opening of Al Ameriya petrochemicals complex. With an investment of \$450 million, the first phase of production starts this month with polyvinyl chloride, and another phase costing an additional \$150 million will produce polyethylene.

A long-standing project, which was approved by the government last summer but whose feasibility study is being reviewed by General Motors, involves the assembly and eventual manufacturing of small and medium-sized passenger cars.

SUMED Pipelines and Superports

Savings in distance

The SUMED pipeline is a short-cut to European markets for crude oil from the Arabian Gulf.

Via:	To: Rotterdam Netherlands	France (Nautical miles)	Angusta Italy
African Cape	11,170	10,780	11,140
SUMED pipeline	6,430	6,090	4,090
Saving	4,740	4,690	7,050

Savings in time

The SUMED pipeline makes crude oil available at Sidi Kerir within 15 days of loading in the Arabian Gulf. Considerable time savings are therefore possible in supplying Arabian Gulf crude oil to European markets.

Via:	To: Rotterdam Netherlands	France (days)	Angusta Italy
African Cape	33	32	33
SUMED pipeline*	23	18	16
Saving	10	14	17

Cargo flexibility

A single large tanker can load two different types of crude oil in the Arabian Gulf and discharge them into the pipeline system. Two smaller vessels can then lift the different crude oil types and make deliveries which meet the needs of individual European refineries, thus avoiding two-port discharging or lightering.

Similarly, two large tankers can each load one type of crude oil to full capacity at different Arabian Gulf ports, thus avoiding two-port loading. Both crude oils can be simultaneously offloaded into the SUMED pipeline and lifted at the Mediterranean end by a variety of smaller vessels, each destined for a single European port.

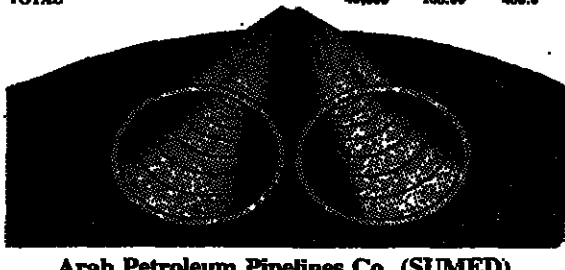
Security against disruption of services

The whole SUMED pipeline system is within the boundaries and under the jurisdiction of one country. Disruptions of pipeline services, such as those that have occurred on other systems, are therefore not a threat.

Furthermore, the line and the ports are owned and operated by a company which enjoys a considerable degree of autonomy within the Arab Republic of Egypt. For example, SUMED has a fully independent administrative system and users of the line incur no port charges.

SUMED Pipeline Owners

	Number of Shares	%	Initial Value (US \$ millions)
Abe Dineh National Oil Co. (ADNOC)	6,000	15.00	60.0
General Petroleum & Mineral Organisation of Saudi Arabia (PETROMIN)	6,000	15.00	60.0
Kuwait Foreign Trading Contracting & Investment Co.	5,690	14.22	56.9
Kuwait Investment Co. (SAK)	300	0.75	3.0
Kuwait Metal Pipe Industries Co.	10	0.03	0.1
Qatar National Petroleum Corp.	2,000	5.00	20.0
Kuwait General Petroleum Corp. (EGPC)	20,000	50.00	200.0
TOTAL	40,000	100.00	400.0



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Cautious Moves in Foreign Affairs

Soviet Re-emerges in Mideast in Subtle Role

By Henry Tanner

CAIRO — Seen from Cairo, as from other Arab capitals, the one major change that has occurred in the region in recent months is the re-emergence of the Soviet Union in an active and surprisingly subtle role.

After more than 15 years on the sidelines — the Soviets were thrown out of Egypt by President Anwar Sadat in 1972 and frozen out of the peace process by U.S. Secretary of State Henry A. Kissinger after the 1973 war — the Soviet Union, under Mikhail S. Gorbachev, is back on the scene.

It has been moving on a wide front: In March, the Soviets offered to reschedule Egypt's military debt of about \$3 billion dating back to the 1950s and '60s. Their timing was perfect, politically and psychologically, since the offer was announced just before the rescheduling agreement in May between Egypt and the International Monetary Fund and other Western debtors.

Moscow has held multiple contacts with Israeli officials and American Jewish representatives, notably from the World Jewish Congress, leading to the first significant increase in many years in the number of Soviet Jews permitted to leave. Hopes for the resumption of diplomatic relations with Israel have been raised.

Western diplomats here say that when

Some Arab officials conclude that present Soviet policies are dictated first by the 'normal' desire of a superpower to be present in an area from which it has been absent for 15 years.

President Hafez al-Assad of Syria visited Moscow this spring he was urged to soften his hard-line policy and was told that the Soviets would conduct their policies toward Egypt, Israel, the Gulf countries and the Palestine Liberation Organization according to their own lights and without regard for Syrian objections. The warning was sweetened with a promise of more financial, economic and military aid.

In the Gulf, the Soviets have had contacts with Saudi Arabia, which may or may not eventually lead to the establishment of diplomatic relations. Kuwait, the only Gulf country with which the Soviets have formal relations, received Soviet help in protecting some of its shipping when Moscow chartered three Kuwaiti ships.

Finally, the Soviet Union has been active in promoting the idea of an international conference on the Middle East.

There is a common trait to these moves that makes them different from earlier Soviet policies, Egyptian and foreign experts here feel.

In the past, the Soviets used regional turmoil in the Middle East and other areas primarily as a weapon in their power struggle with the United States. American and other Western policies were systematically obstructed and a friendly gesture toward a local country usually had a price tag in the form of a demand that it endorse some important Soviet goal or distance itself from the United States.

Now this no longer seems to be the case, according to diplomats here.

The rescheduling of the Egyptian military debt was followed by an offer to sell arms and spare parts but no hint was given of displeasure with Egypt's close relations with the United States. And some of the moves in the Gulf have been the subject of consultation with Washington.

The conclusion drawn by some Arab officials is that the present policies are dictated first by the "normal" desire of a superpower to be present in a region from which it has been absent for 15 years.

Secondly, it is thought here that Mr. Gorbachev may have concluded that the Middle East is offering opportunities for improving the general climate in which East-West disarmament negotiations are being held. Agreement in the arms talks is believed to remain his prime objective.

The Egyptians are closely watching these developments. President Hosni Mubarak has been moving as deliberately and cautiously in foreign affairs as in his domestic policies. Stability is his principal goal abroad as well as at home.

He has been seeking to improve economic and personal relations with other Arabs while making it clear, from the very beginning, that he will not go back on his peace treaty with Israel.

Jordan and Djibouti are still the only members of the Arab League to have renewed formal relations with Egypt since they were broken off in 1967. Oman, Sudan and Somalia



The Soviet Union aided completion of the Aswan Dam in the late '50s.

are the only league members who never broke off relations.

The only breakthrough on the formal level has been Mr. Mubarak's participation in the Islamic summit last January. On that occasion, he also met with Mr. Assad, one of his chief opponents on the Arab scene, but the meeting was not followed by any improvement in relations.

Between 50,000 and 60,000 Egyptians are still working in Libya, the country of Egypt's other arch enemy, Colonel Moammar Gadhafi.

Informal contacts and exchanges with Saudi Arabia and other moderate Arab countries have increased. A Saudi exhibition, for instance, was solemnly inaugurated here a few days ago.

The Egyptians are careful not to give offense to the Saudis. The Saudi royal family's involve-

ment in the surreptitious funding of the contra, the U.S.-supported Nicaraguan rebels, has not been mentioned in the Egyptian press. And Arab tourists from Saudi Arabia and other Gulf countries are much in evidence in Cairo.

There has been a suggestion that Saudi Arabia might be willing to assume Egypt's military debt to the United States on which the Egyptians are still paying an average of more than 12 percent interest. The idea was that Egypt would owe the money to the Saudis rather than to the United States, with an interest of about 7 percent.

Washington does not want to reduce the present rate, arguing that it would have to do the same for many other loans around the world. U.S.-Egyptian negotiations continue. The idea of a Saudi intervention has not progressed.

New Generation Is Pushing an Agenda of Change

Continued from page 7

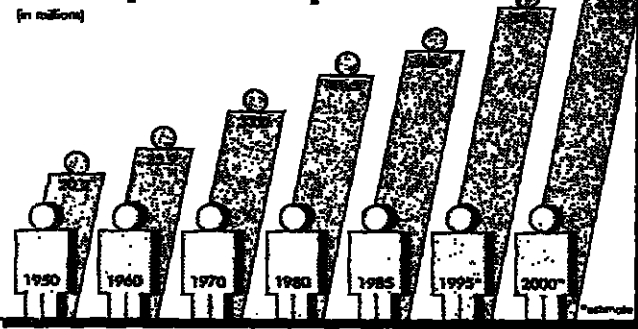
57.2 percent in 1976. This represents real progress in education but also reveals that after 35 years of revolution, basic literacy remains an elusive goal.

The population factor, with its manifold features, is and will remain in the foreseeable future the most important single challenge. How to cope with the increase, how to manage and moderate it while trying to improve the quality of life of new Egyptians is by far the most pressing problem.

Up until now, efforts in this field have been fragmentary, tentative and uncoordinated. And because the impact of overpopulation is more long-term than immediate, the response of the political leadership has been slow and ineffectual.

The fact that this issue touches Moslem sensibilities has pushed the debate onto the ideological level and limited serious public discussion. But the severity of the problem is such that this contrived silence cannot be allowed to last. Since the population increase is

The Population Explosion



outpacing the construction of housing, young couples have had to delay their marriages. The census indicates that more than one in a hundred newly married couples have not been able to live together for lack of accommodation. In addition, emigration has not been keeping up with the increase in population. Employment opportunities have to be created within Egypt.

Each generation, as it faces the existing political and social structures, is seeking to change them in

keeping with its own views, values and needs.

The generation of the 1940s was politicized as it lived through the end of British occupation and the monarchy, the disappearance of the big landowners and the beginning of the struggle over Palestine. Out of that experience came the revolution of 1952, the rise of Arab nationalism and political independence. President Nasser's championing of the cause of the disinherited brought the beginning of Arab socialism. These were the

responses of the previous generation.

Today, it is 30 years after Suez, 20 years after the trauma of the Six-Day War and 16 years after the death of Nasser. His heritage is more a historical backdrop than a living political force to the new generation.

Nasser's place as the spokesman of the poor and the less privileged is still vacant, but his program is convincing only to the Nasserites. The new generation has a different agenda. The defeat of 1967 was a shock to the generation that endured it. Losing faith in the Nasserite program but not necessarily in Nasser himself, young Egyptians started to ask serious questions and search for answers.

Under the impact of the trauma, the entire nation turned to religion — both Islamic and Coptic Christian. In Egypt, religion has always been the foundation of the political system and the spine of social cohesion. Religion was invoked against adversity and as the link between this life and the unknown after-life, and it has provided meaning, continuity and sense. The current wave of Islamiza-

Defeat in the Six-Day War of 1967 was a shock to the generation that endured it.

tion covers many trends. The emphasis on what is called "fundamental Islam" in the West misses many of the fine points of the debate. No one should doubt the general impact of Islamization. But its significance varies from one school of thought to another. Some struggle to find relevant answers to Egypt's problems within the teachings of Islam. Many search for identity and authenticity. However laudable this genuine search, it has produced many questions but few answers.

Does Islam prescribe a genuine political system? But why does the Koran not detail it? If Islamic values are to be used to practice a political system, then we have to do our homework in study and debate. There are those who suggest that the solution lies in the return to a real or imagined golden past. But they have not explained why this past, in the Moslem world as well as elsewhere, included periods of conflict and decay. Some dismiss all these nagging questions by saying it is the fault of the Moslems but not of Islam. The question then becomes: Who interprets Islam, and who has the knowledge and the authority to do so?

Moslem associations must be given credit for having responded to the need of self-help and mutual help among the poorest sections of the population. They have also stressed the importance of family and a sense of belonging.

The torrent of writing on these subjects still lacks cohesiveness and depth. The search for reformation without reform — or for reform without a framework of cohesive reformation — is an intriguing paradox that remains unanswered. Anwar Sadat's agenda of a comprehensive peace, open-door policy and multiparty system have left their impact.

President Hosni Mubarak has worked hard to moderate some of the aberrations and excesses that marked the last years of President

Sadat, but these corrections and his steady, stable policy are not a substitute for creative initiatives that would address the serious concerns of the growing young generation.

Economic crisis management has brought us stability in the last seven years but it falls short of meeting the growing problems and the multiplying questions of the young.

The majority of the new generation is writing, questioning and patiently trying to solve its existential personal problems. It rejects the ready-made agendas and looks for something more fulfilling. But it has not yet found it.

Specific criticism and specific ideas can be seen as a common demand. A dynamic, creative, clean government is a common demand. President Mubarak is generally accepted without challenge, but the kind of mediocre administration with which he has surrounded himself is being severely criticized.

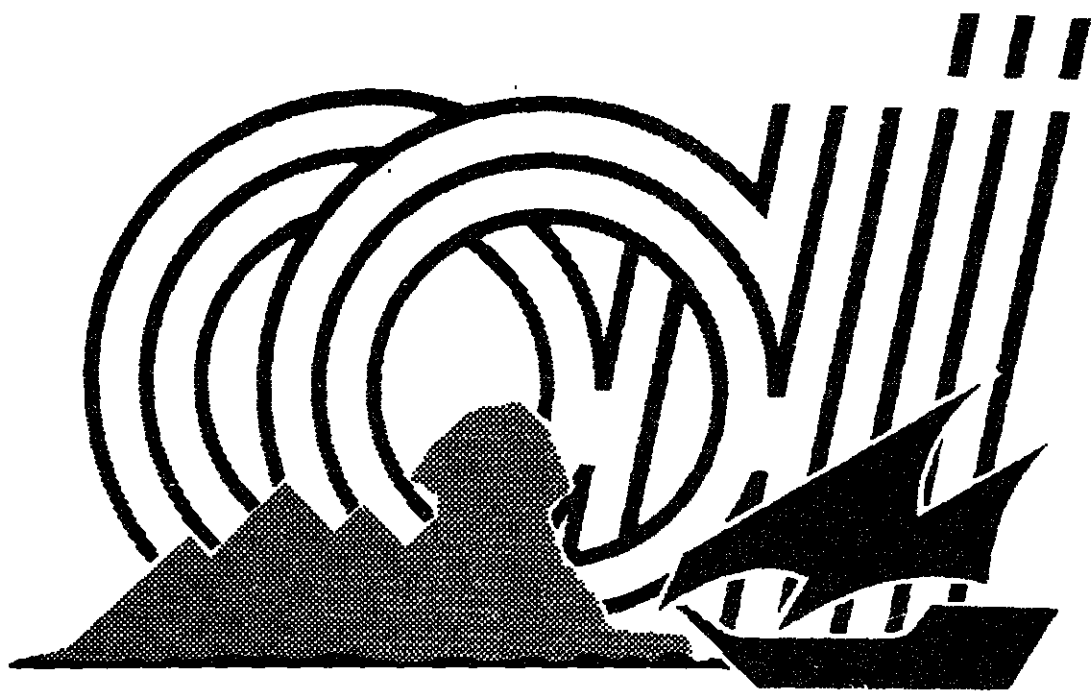
All of the young want good education, economic opportunities and accountable government, with freedom of expression and a strong legal system.

Egyptian youth has become less ideological and more concerned with concrete and practical questions. The young remain impatient. But they tend to be more elastic in their demands when they feel that they are dealing with a responsive government.

After all, when everything is said, Egypt during the past 15 years has grown economically per capita.

The Egyptian today is better fed and clothed than before. So with more work and a bit of luck the new generation can hope to add its weight to history, aware of the dangers but not indifferent to the fact that Egyptian problems will not be solved from the outside or by the outside. They will have to be solved by the Egyptians. This is the challenge and the new agenda of Egypt.

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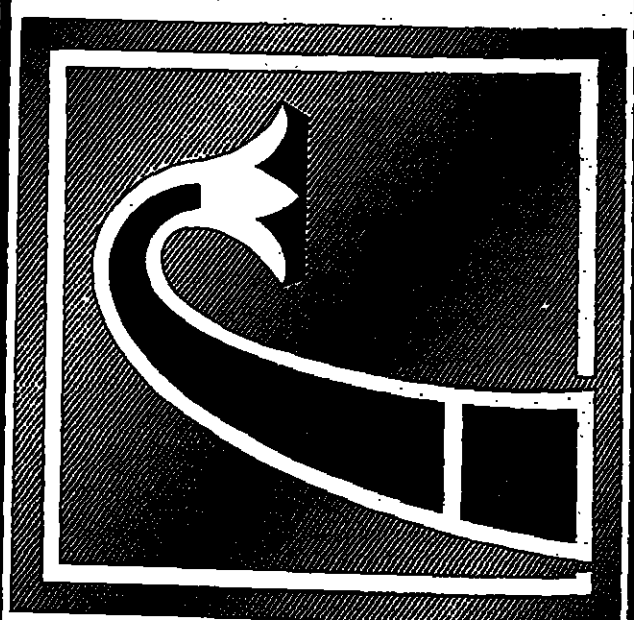
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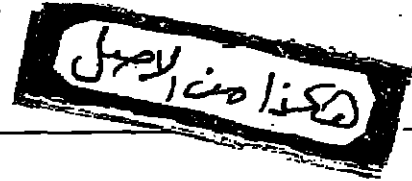


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Downturn in Gulf, Oil Glut Hasten Pace Of Economic Decline

By Olfat Tohamy

CAIRO — With its worst year in a decade over and a promise of relief this year, the government is moving to seize the opportunity provided by better conditions and the international community's backing to improve the economy's performance and chart a course for growth.

"An exhausted patient but not a hopeless case," was how Prime Minister Atef Sedki described the economy at the end of its most difficult year since it began slowing down in 1976. A combination of international and regional conditions, including the world oil crisis and the Gulf states' sharp downturn have accelerated the slowdown, resulting in a fall in its growth to 4.2 percent last year.

Despite the government's attempts to streamline expenditure and new moves to restrain consumption, there are firm indicators that the balance of trade and current account are heading for record deficits in the 1986-87 fiscal year, which ends this month.

Official estimates based on quarterly figures show a sharp increase in merchandise imports, compared with a slight rise in exports, resulting in a trade deficit of more than 4.7 billion Egyptian pounds (\$2.14 billion). While the services balance turned positive for the first time in several years due to a sharp increase in income from tourism, a slight rise in expatriates' remittances did not prevent the current account deficit from reaching the 2-billion-pound mark for the first time ever.

Referring to a wide discrepancy between forecasts and indicators on the economy's actual performance, Deputy Prime Minister and Minister of Planning, Kamal el-Ganzouri pointed out two factors that underline the economy's vulnerability to external pressures.

One was the sudden fall in international oil prices, which has led to a fall of 1.3 billion Egyptian pounds in oil export revenues. The other was the Egyptian pound's rapid depreci-

ation against all major currencies. A Ministry of Planning report estimates that this cost Egypt an additional 2.3 billion Egyptian pounds on imports in the same fiscal year.

The main foreign exchange earners, including oil exports, tourism, remittances and Suez canal tolls, have all recovered since the beginning of the year, promising an end to the squeezes that reflected the government's inability to meet its foreign exchange payments.

The shortages have resulted in an increase in arrears on foreign creditors' payments, which have reached more than 18 months on publicly guaranteed supplier credits. And public sector industrial plants, relying on the government to supply the foreign exchange to cover imported raw materials, equipment or spare parts, operated well below production capacity during the squeezes.

While oil exports are expected to maintain their current level, eventually falling as production stabilizes, nonoil exports have begun picking up and tourism has recovered remarkably. Aided by contraband agreements, in which Egypt supplies trading partners or foreign creditors with goods instead of hard currency, merchandise exports, especially manufactured goods, have risen, reflecting a strong performance during the last quarter of 1986, which has continued unabated. For the first time, tourism returns have equaled oil export revenues during the first quarter of this year.

The minister of tourism and civil aviation, Fouad Sultan, believes that income from tourism, which has so far doubled initial forecasts, could reach \$2 billion this year and that the number of tourists could be close to two million.

Having revised their projections to reflect last year's changes and trends, officials expect tourism to be the fastest growing sector of the economy.

Industry is expected to provide the impetus for the productive sectors' rise, making up for agriculture's poor performance. Persisting indicators that land reclamation plans are be-



Worker monitors manufacturing at Fiat plant.

hind schedule reinforce analysts' belief that Egypt will be unable to bridge the food gap in the foreseeable future, relying on imports for two-thirds of its needs.

The recent partial flotation of the Egyptian pound, which has put an official seal of approval on a black market rate of 2.18 pounds to the dollar, or nearly double the highest official approved previous rate, should also help boost tourism and exports. However, Hazem Beblawi, chairman and chief executive of Egypt's Export Development Bank, believes that the export promotion drive needs additional government input.

"The political will is there," he said, "but the system needs to be reoriented towards exports." He added that incentives to compensate for protection are weak or nonexistent, referring to measures taken to wear off the Egyptian market away from imports through raising customs duties. Among the incentives he cited to promote exports were concessions on taxes and compensation or subsidization of credits offered to exporters at lower interest rates.

While import-substitution was stressed as a theme of policy-making over the last three years, a Ministry of Planning follow-up report indicates a change of attitude toward the concept. Starting with the new five-year social and economic development plan in 1987-88, "there will be a shift away from the negative application of the principle of self-reliance, whereby exchanges with foreign markets will be en-

hanced through increasing exports and decreasing imports," the report said.

The government's decision to phase out the multirater currency rates and unify them at the end of an 18-month period, which is covered by an agreement it has made with the International Monetary Fund, is the most significant of the measures adopted in line with the IMF's views. The agreement, in which Egypt receives \$325 million in balance of payments support, also includes tightening controls on money supply expansion, as interest rates are raised mildly, while the government reduces the budget deficit. It also calls for further reductions — but not the total removal — of subsidies on basic food items, energy and services.

As a result of the interim agreement with the IMF, Egypt's creditworthiness has received a boost, with 18 of its Western creditors agreeing to grant it a five-year break from debt servicing. Bilateral negotiations between Egypt and its main foreign lenders, including the United States, France, West Germany and Spain and covering \$7.2 billion of medium- and long-term debts, will continue through the summer. Egypt's total foreign debt is estimated by international organizations at close to \$40 billion.

Also in line with its agreement with the IMF, the government's budget projections for 1987-88 include a reduction of the net budget deficit, from an estimated 780 million Egyptian pounds in fiscal 1986-87 to 690 million Egyptian pounds in the new fiscal year starting in July.

Despite Curbs, Banks Improve Performance

CAIRO — After three years of difficulties, Egyptian banks are posting improved performance while trying to cope with official restraints. Their desire to become active players in the foreign exchange market has received a boost from the government's first move toward a unified floating exchange rate for the Egyptian pound.

The banks' year-end results indicated that the lessons of 1984 and 1985, which came at the end of a decade of phenomenal growth, had been learned. While those two years were marked by major defaulting scandals, which caused mismanagement at senior levels, 1986 was the year when many banks began to adjust to the slowdown.

"Our growth was not affected so much by the circumstances in 1986, because we had planned for our market share," said Mohamed Hafez, general manager of Bank Misr, which Egypt's biggest commercial bank, Bank Misr and three other public-sector banks, the National Bank of Egypt, the Bank of Alexandria and Banque du Caire, account for three-quarters of banking operations in the country. Relying on their experience in the market and their network of branches, they are either maintaining their position or raising their profile and expanding, as in the case of Bank Misr.

Although some bankers do not share Mr. Hafez's optimism, most agree with his view that "those who have survived will continue to survive."

Some of the smaller, privately owned banks continue to face difficulties in recovering from bad debts resulting from the slowdown, but others such as the Suez Canal Bank have shown strong performance figures — a slight increase in provisions for bad debts, a greater expansion of the loan portfolio and a healthy rise in operating as well as net profits.

Last spring, the government adopted a series of measures that are changing the banking environment, including the announcement of the partial flotation of the pound. In line with the reform program approved by the International Monetary Fund, which calls for controlling the expansion of the money supply, the central bank imposed a ceiling on lending by restricting growth in banks' total portfolio to 2.5 percent above their level at the end of last year. As part of the package, interest rates on Egyptian pound loans were raised for the first time in several years. A similar rise in interest on deposits is expected to be made to strengthen the pound.

In May, the government took a long-awaited and far-reaching step in the direction of introducing a unified floating rate for the pound. By deciding to allow the banks to freely set the rate for buying and selling foreign exchange, banks have become active players in the market, which was previously dominated by money changers.

According to the new rules, an eight-member committee of bankers meets daily to set exchange rates for the Egyptian pound without central bank intervention. Such intervention,

Smaller banks are facing difficulties in recovering from bad debts.

imports were allowed to continue, leaving the back door open for money changers to pursue their activities.

Five weeks after these rules were implemented, importers continued to complain about delays in issuing letters of credit by banks, which implied shortages in the supply of foreign exchange made available by the banks as well as through money changers. Although a growing portion of transfers is being made directly through the banks at the new rates, more than half the market's supply continues to be covered through money changers. This, a banker remarked, suggests a tenfold increase in direct transfers through banks, which he described as "a great achievement."

On another front, banks are continuing to fight an unequal battle with unlicensed deposit takers, which have emerged recently under the name of investment companies. Claiming to operate according to an interpretation of Islamic theology that prohibits fixed interest payments, these companies have been offering their depositors an average of 24 percent interest, compared with a maximum of 13.5 percent offered by banks.

Although the central bank has warned the public that it does not guarantee deposits placed with these companies, their number has been multiplying and their clientele seems to have grown at the expense of Islamic banks, whose variable rate is more or less in line with that of conventional banks.

Olfat Tohamy

Planners Chart 20-Year Course to Better Life

CAIRO — If government planners have their way, the next generation of Egyptians will enjoy a higher standard of living, have better employment opportunities and might settle in what is now an arid desert by the year 2002.

This is the scenario of a 20-year course charted by economic planners who hope to bring Egypt at least up to the present-day level of the newly industrialized countries of Southeast Asia, such as South Korea.

Egyptians, however, will first have to raise smaller families if an economically healthy Egypt is to become a reality by the 21st century, since at present rates the country's population is expected to swell from 50.5 million to 70 million by the year 2000.

The first installment of this program began in 1982 with a five-year economic and social development plan. It was the first such exercise in medium- and long-term planning since the 1960s.

The new five-year plan, which starts in July, will mark the beginning of a transition toward

what is described as an "industrialized society." The transition period will extend into the third five-year plan, from 1992-97, and the results are expected to become tangible in its last two years.

Planners hope that by the year 2000 Egypt will have at least matched South Korea's development through an industrial output that is forecast to quadruple, and exports that will include mainframe computers, electrical appliances and cars. By that time, they project, the country will have closed its food gap and begun exporting agricultural products, the volume of which would double over that period.

Kamal el-Ganzouri, the deputy prime minister and minister of planning and international cooperation, denied that the purpose of planning is to paint a rosy picture of the future. "The planner," he said, "has to be very conservative with figures, reflect reality and not exaggerate it or magnify it to avoid shocks or wrong decisions."

Critics view the revival of central planning as a reversal of the liberalization trends begun

under the late President Anwar Sadat. Their main concern is that central planning will strengthen bureaucratic control, thereby stifling private initiative and slowing the growth of the small but ambitious private sector that began re-emerging under Mr. Sadat.

Preliminary estimates on investments during the 1982-87 period indicate that this trend is continuing with private investments exceeding the targeted figure of 8 billion Egyptian pounds (\$3.7 billion) to reach 9.3 billion Egyptian pounds, compared with public investments reaching 27.1 billion Egyptian pounds.

While private investment picked up, public investments faltered during the last two years, falling slightly behind their projected amounts.

"There is no ceiling on private investment," Mr. Ganzouri emphasized, saying that the private sector's share of investments in the new plan is expected to rise to 40 percent, compared with an average of 24 percent in the last five years. In the longer term, the bulk of the government's capital budget will be oriented toward social services.

The 1982-87 plan was introduced after a period of rapid growth that peaked as development efforts were pursued following the conclusion of peace with Israel in 1979.

The new plan envisages an average rate of growth of 5.8 percent, compared with an actual performance figure of 6.8 percent over the period of the previous one.

Olfat Tohamy

Cairo Wins New Aid Amid Controversy

Continued from page 7

article was being written and could not be interviewed.

But officials said that in his resignation statement before the board in early May, he cautioned that the IMF would lose its usefulness if it became a political tool for a single member, no matter how important that member.

Another senior international monetary official came to the same conclusion as Mr. Finch: "Washington wanted to make a political gesture to Mubarak. Washington acted because Mubarak is in trouble."

Unemployment is aggravated by the repatriation of Egyptian workers chiefly from the Gulf states. It is estimated that 30,000 Egyptian jobs have been eliminated as a result of lower oil prices and declining economic activity in these countries.

This official, who asked not to be identified, said that Mr. Mubarak has not committed Egypt into taking sufficiently vigorous action to end the economic deterioration. He noted that the budget deficit still represents a mammoth 15 percent of the gross domestic product, a percentage four times larger than in the United States. Two-thirds of Egypt's national expenditure is in the hands of the state.

"Mubarak is proceeding with his reform too slowly," the official said in an interview.

Almost everyone agrees that Egypt's political significance far exceeds its economic significance. In such a case, noted C. Fred Bergsten, the director of the Institute for International Economics, "there is always the temptation for Washington to let political factors override economic concerns."

Reagan administration officials deny that they put any pressure on the IMF.

"Egypt is an important country," noted a State Department official, "and is going through a very difficult time economically. We certainly want to do everything we reasonably can to help them out. But we realize that Egypt must do some things for itself."

He stressed that all the creditor countries feel the same way. "They

all want to assist Egypt. The United States has not been twisting any arms," he said.

Egypt has already undertaken some elements of the reform by devaluing its currency and raising energy prices.

"I think the reforms stand a good chance of succeeding," said another Reagan official. "Mubarak is popular, likeable, trustworthy. He may take longer than

most Westerners would like to make economic adjustments, but he has his fingers firmly on the pulse of his country."

American businessmen have also given Mr. Mubarak a vote of confidence. In the past 18 months, U.S. investment in the industrial and manufacturing sector of Egypt has jumped by more than \$30 million and now totals about \$180 million, according to a recent

cable from the U.S. Embassy in Cairo.

The number of joint ventures increased from 15 to 26. The most notable new joint ventures include a General Motors truck and bus plant and an American Standard bathroom fixture operation. But the investments will make little dent in unemployment. Altogether they create no more than 30,000 jobs.



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Statistics Index table with columns for AMEX, NYSE, and various market indices.

SATURDAY-SUNDAY, JUNE 27-28, 1987

ECONOMIC SCENE

U.S. Businessmen Seeking To Realign World's Wages

By LOUIS UCHITELLE New York Times Service. NEW YORK — For the first time, U.S. manufacturers are talking openly about a new and startling wage goal: They want to pay their workers the same as workers in South Korea, Brazil and a handful of other developing countries.

That does not mean that businessmen want wages to plunge from the \$13.09 an hour that is the average total compensation of the U.S. factory worker. "Wages overall will come up, but one chairman of the Goodyear Tire & Rubber Co. Walter Jersol, chief economist at General Electric, added: "Let's talk about the differences in living standards rather than wages. What in the Bible says we should have a better living standard than others? We have to give back a bit of it."

However the case is put, a common view is emerging. "Many manufacturers now feel that we are not going to be able to afford the wage difference," said Jerry Jasinowski, chief economist at the National Association of Manufacturers. Their concern is directed mostly at six countries whose modern, high-tech factories turn out products often competitive with those of the United States. The six are South Korea, Brazil, Mexico, Hong Kong, Taiwan and Singapore — and each has an average factory wage of less than \$3 an hour.

The new wage talk seems to mean several things. First, it underscores a determination by business to hold on to the wage and benefit concessions won in the early and mid-1980s — and not give them back to labor, even though U.S. products are rising. Second, by focusing on the wage gap, U.S. manufacturers are shifting the pressures they bring to bear on the labor movement.

The concern had been that American factories would be closed, workers laid off and operations moved to low-wage foreign countries. That threat still exists, but a greater effort is being made to keep factories in the United States and to import the low foreign wages, said Harley Shaiken, a labor economist at the University of California at San Diego. "We'll never close the gap, but that has become a kind of goal," he said.

FINALLY, the wage gap debate underscores a determination to preserve the cost advantages that have resulted from the dollar's steep devaluation against other major currencies. A roll of Kodak film, for example, can now be sold in West Germany or Japan for fewer marks or yen than two years ago, and still bring Kodak the same profit.

European Tax Pact Adopted

Will Boost Joint Moves on Evasion By Axel Krause International Herald Tribune. PARIS — The 21-nation Council of Europe has adopted an international tax convention, opposed by business groups, that would strengthen cooperation among European governments pursuing cases of illegal tax avoidance.

The council's decision clears the way for approval of the convention by the Organization for Economic Cooperation and Development, officials of both bodies said Friday. U.S. government officials said that as an OECD member, the United States would approve the measure, which is known as the Draft Convention on Mutual Administrative Assistance in Tax Matters. The convention has been under study by Western governments since 1982.

"The measure, which we have supported, provides a useful multilateral dimension to our existing bilateral tax cooperation treaties," a U.S. official said in Paris.

The International Chamber of Commerce said Friday in Paris that it would work against adoption of the proposal by the 24-member OECD, which includes most of the Western European members of the Council of Europe, as well as the United States, Japan, Canada, Australia and New Zealand.

In a statement issued on behalf of employer associations in 107 countries, the International Chamber of Commerce warned of "risks inherent in this convention."

It said those risks could endanger "the profitability and confidentiality of trans-border commercial dealings between companies."

The business grouping also asserted that the council and the OECD had not adequately consulted the private sector.

Dayton Hudson Vulnerable to Bids

Sum of Retailer's Parts Is Greater Than the Whole By Isadore Barnash New York Times Service. NEW YORK — Dozens of big companies have lopped off weaker divisions only after giving eyeball to eyeball with a corporate raider. Not so Dayton Hudson Corp. The giant Minneapolis-based retailer has shown a willingness to shed divisions in its own style.

That management discipline is regarded as one of the strengths of the company. Nonetheless, Dayton Hudson is widely perceived as a ripe acquisition target, as reflected by the wild swings of its stock price this week in response to both a bogus and a real takeover threat.

Dayton Hudson is perceived as an attractive takeover target not only for its highly regarded management but for the value of its assets should an acquirer decide to break it up and sell off the parts.

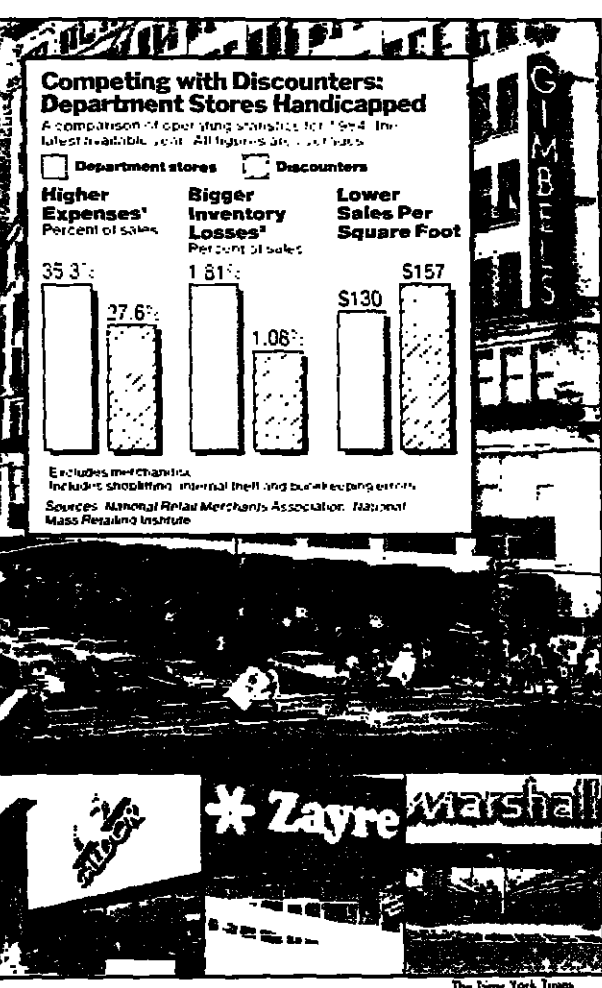
But gaining control of Dayton Hudson might not come easily. On Thursday, the Minnesota legislature overwhelmingly approved a tougher anti-takeover law to help Dayton Hudson resist a hostile bid.

Even a bogus offer from a Cincinnati investment adviser was enough to send the stock soaring \$9 a share on Tuesday in the over-the-counter market. When the report was discounted, the stock fell sharply, ending the day off 87.5 cents.

Dayton Hudson has one of retailing's highest breakup values, more than twice the value of the company's assets on its balance sheet, according to Stuart M. Robbins, an analyst for Donaldson, Lufkin & Jenrette Securities Corp.

The breakup value would be somewhat more than \$100 a share, while its stock closed Friday at \$50.75, up 75 cents, on the New York Stock Exchange. That ratio is higher than that for either Federated Department Stores Inc. or May Department Stores Co., the two larger rivals of Dayton Hudson.

The company is one of the few really well-run retail corporations, and it has shown it by making some bold moves and preparing well for the future," said David Rachman, professor of marketing at Baruch College, a business school in New York.



ignore the attractiveness of Dayton Hudson, and rumors of a hostile bid by a company such as discount retailer Dart Group Corp. have been common.

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"It looked at specialty stores but felt that others had the fast track and so sold off its jewelry, apparel and book stores. It saw the future for discount, department and mass-volume apparel

JWT Accepts New Bid From WPP Group

NEW YORK — JWT Group Inc., the advertising giant, said Friday that it had agreed to merge with WPP Group PLC, a British marketing firm, after receiving a sweetened bid valuing the company at \$566 million.

The companies said they had signed a definitive agreement under which a subsidiary of the London-based WPP would offer \$55.50 a share in cash for all of JWT's outstanding common stock.

That offer was \$5 more than WPP had previously proposed to pay.

JWT's share price rose Friday to \$55.125 on the New York Stock Exchange, up \$2.25.

WPP, a much smaller company, originally proposed a merger at \$45 a share.

On June 15, it said it was willing to raise the offer to \$50 a share provided that the New York-based JWT, which owns the fourth-biggest U.S. advertising concern, J. Walter Thompson Co., agreed to support the merger.

Don Johnston, chairman of troubled JWT, said Friday. "Our shareholders have been very well served by this agreement."

agency Lord, Geller, Federico, Einstein Inc., the public relations firm Hill & Knowlton and the research concern MRB Group.

WPP is only a fraction of the size of JWT, posting revenue of about \$35 million in 1986, compared with \$649 million at JWT.

JWT has previously been involved principally in marketing services activities such as sales promotion, audiovisual services and incentives.

One reason that JWT became a takeover target was that while its creative reputation flourished under Mr. Johnston, it performed below average financially.

JWT reported losses of \$1.4 million in the first quarter of 1987 and \$4.9 million in last quarter of 1986.

Under the agreement, a WPP subsidiary, The Owl Group Inc., would amend its outstanding tender offer for JWT's shares by, among other things, increasing the offered price to \$55.50 a share.

The offer is scheduled to expire July 13.

Currency Rates

Table of currency rates for various countries including Amsterdam, Brussels, Frankfurt, London, Milan, New York, Paris, Tokyo, and others.

Table of other dollar values for currencies like Australian, Swiss, Hong Kong, etc.

Interest Rates

Table of Eurocurrency deposits for 1, 3, 6, and 12 months.

Table of key money rates for various instruments.

Table of Asian dollar deposits for 1, 3, 6, and 12 months.

Table of U.S. money market funds.

Gold

Table of gold prices for various locations like Hong Kong, London, Zurich, etc.

Long Tied to Casinos, Macao Tries to Diversify

MACAO — The Portuguese enclave of Macao, unwilling to stake its future on gambling casinos, is aiming to become a regional financial center in an effort to diversify sources of revenue, government officials have said.

The territory on the South China coast recently took a first step toward this goal: It introduced an offshore banking law that will give foreign companies the opportunity to operate tax-free, apart from an annual fee.

Casinos now account for 40 percent of government revenue in the territory.

The deputy director of Macao's economic services department, Emanuel Jorge Marques dos Santos, said: "We don't wish to depend so much on gambling and export revenues. Our future should really be in services — trade services, communications services and financial services."



Bright lights of the Crazy Paris Show attract gamblers to the Hotel Lisboa, the main casino in Macao.

ceramics accounting for most of the remainder.

Mindful of protectionist threats to Asian textile exporters, Macao will continue its drive to diversify and reduce its dependence on its two main markets, the European Community and the United States, Mr. dos Santos said.

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WHAT IS LOTTO 6/49? Lotto 6/49 is the official Canadian version of Lotto—the world's most popular form of lottery. It's the lottery in which you pick your own numbers and it's called "6/49" because you select any 6 of 49 possible numbers from 1 to 49.

HOW CAN I PLAY? Complete the attached order form and send it to Canadian Overseas Marketing along with the necessary payment. We will enter your numbers for the specified length of your subscription.

ORDER TODAY! Mark six numbers on each game board you wish to play. Includes a grid for selecting numbers.

FREE BONUS! Includes a grid for selecting bonus numbers. Also includes a section for name, address, and payment information.

OPEC Output Cut Expected

VIENNA — OPEC appeared on course Friday to a likely agreement to increase its third-quarter oil production, but cartel leaders said they were split over how to prevent the extra supplies from triggering a new decline in prices.

The source said Kuwait was the main opponent of this proposal. "We are trying to come up with a figure for the fourth quarter," said Iran's oil minister, Gholamreza Azagadeh.

Make Cheque or Bank Draft (in U.S. Funds) payable to: Canadian Overseas Marketing and Mail to: P.O. Box 48120, Suite 1703-595 Burrard St., Vancouver, B.C., Canada V7X 1S4

NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

High	Low	Stock	Div.	Yld.	PE	52 Wk High	52 Wk Low	Close	Chg.
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Sales of Existing Homes Jump in U.S. for May

WASHINGTON — Sales of existing U.S. homes jumped 5.1 percent in May, the highest pace this year, as home buyers rushed to buy before mortgage rates rose, the National Association of Realtors said Friday.

The industry group reported that existing single-family homes were sold at an annual rate of 3.74 million units last month, the strongest sales pace since last December and the biggest monthly increase since a 6 percent jump in February.

Sales had declined 3.2 percent in April and 0.3 percent in March; analysts attributed the May increase to two months of rising mortgage rates.

"Usually when interest rates rise, buyers who had been sitting on the fence waiting for lower rates realize they should not stall any longer," said William Moore, president of the association.

Interest rates fell to a nine-year low of 9.07 percent for fixed-rate loans at the end of March but then started climbing in April and May, peaking at 10.81 percent on May 22. Rates have since retreated, and now stand at 10.35 percent, according to a weekly survey of rates done by the Federal Home Loan Mortgage Corp.

French GDP Rose Revised 2.3% In '86: Earlier Figure Was 2.1%

PARIS — French gross domestic product grew by a revised 2.3 percent in 1986, following growth of 1.4 percent in 1985, the National Statistics Institute said Friday in its annual report on the national accounts.

The institute had said in May that GDP grew 2.1 percent last year after 1.1 percent in 1985. It said the 1986 growth rate had since been adjusted using new criteria, the main change being the exclusion of the cost of public hospitals. All the figures were based on 1980 prices.

OECD Is Concerned Over Fall in U.S. Aid To Developing Nations

PARIS — The Organization for Economic Cooperation and Development expressed concern Friday over declining aid contributions from the United States to developing nations.

The Paris-based group said in a review that Washington gave proportionately less help to developing countries in 1986 than most industrialized nations and tended to focus its efforts on countries of "high security interest."

The OECD's Development Aid Committee acknowledged that the United States was still the single largest source of official development assistance from the 24 OECD countries, accounting for about a quarter of the committee's aid in 1986.

But it said the \$9.8 billion Washington gave in 1986 was relatively small compared with the size of the U.S. economy.

The report said the committee was deeply concerned that U.S. assistance represented only 0.

BUSINESS ROUNDUP

Rorer Renews Bid for A.H. Robins

Compiled by Our Staff From Dispatches RICHMOND, Virginia — A.H. Robins Co., the pharmaceutical company that sought protection in bankruptcy proceedings after thousands of damage claims were made against it, said Friday it was considering a merger proposal from Rorer Group Inc. The offer is valued at a minimum of \$720 million.

India Cancels Silicon Plant Planned by Dow Corning Unit

New York Times Service NEW DELHI — India said on Friday that it had canceled a controversial contract with Hemlock Semiconductor Corp., a subsidiary of Dow Corning Corp. of Michigan, to set up an \$80 million silicon-producing facility in India.

Malaysian Bank to Make Public Share Offering

KUALA LUMPUR, Malaysia — Southern Bank Bhd will shortly make a public share offering, and will be listed on the Kuala Lumpur Stock Exchange in August, the bank's chief executive director, Tan Teong Han, said Friday.

DAYTON: Retailer Remains Vulnerable to Takeover

(Continued from first finance page) stores and has put billions of dollars behind them. If the company is so well managed, why are its parts more valuable than the whole? Some analysts said that the team of Kenneth A. Macke, chairman and chief executive, and Boake A. Sells, president, had wisely sold off weaker divisions and given considerable support and direction to the major remaining divisions.

Robins directors will meet Monday to consider the proposal. The bid is at least the third for Robins this year. New York-based American Home Products Co. offered to buy Robins in February, but talks fell through. In May, Robins rejected an \$840 million bid from Merrell Dow Pharmaceuticals Inc. for its consumer products line.

Rorer, with about 8,000 employees worldwide, had sales of \$845 million in 1986. Robins has about 6,400 employees and sales last year of \$789.9 million.

Rorer closed at \$45.50, down 87.5 cents, on the New York Stock Exchange on Friday. Robins closed at \$26.50, up 50 cents.

Robert E. Cavhorn, Rorer's chairman, said the acquisition "would be a perfect business fit, a merging of equal size companies."

But David Sells, an analyst with L.F. Rothschild, said, "Basically things haven't changed. Rorer is adamant to try and get Robins, and Robins is adamant not to be taken over."

Dainippon Expected to Raise Offer for Reichhold from \$52.50 a Share

TOKYO — Dainippon Ink & Chemicals Inc. is likely to persist in its takeover bid for Reichhold Chemicals Inc. even if it has to raise its offer above the original \$47.5 million, industry analysts here say.

Dainippon, in a filing Thursday with the Securities and Exchange Commission, acknowledged that Reichhold had said the offer was too low.

But a spokesman for Dainippon declined to comment on New York market talk that it will have to raise significantly its bid, also announced Thursday, for the specialty chemicals company.

Yet investors anticipate a new offer, either by Dainippon or another bidder. Reichhold's shares surged \$18.25 Thursday in New York to \$60.50, a sharp premium over the \$52.50-a-share offer. Reichhold ended Friday at \$61, up 50 cents.

"They will probably be pretty tenacious," said Joel Scheiman, an analyst with SBGI (Securities) Asia Ltd. Dainippon, a major maker of printing ink which has diversified into synthetic

resins and chemical products, wants to acquire Reichhold because of the U.S. company's strong position in the American compound resin market, the company spokesman said.

Industry analysts said the takeover attempt, launched through the company's DIC Holdings Corp. unit, is unusual for a Japanese company as they traditionally shun hostile takeovers at home. However, it fits into Dainippon's long-standing strategy of expanding operations overseas through acquisitions.

"DIC has been very aggressive in the past in targeting companies in the U.S. and going for companies with which it has a past business relationship," Mr. Scheiman said. "This fits the same pattern."

Last year Dainippon bought the graphic arts division of Sun Chemical Corp. for \$550 million, as well as 10 companies in the West German-based Hartmann group.

The Sun acquisition, like the Reichhold offer, started with friendly negotiations. Dainippon, a major maker of printing ink which has diversified into synthetic

resins and chemical products, wants to acquire Reichhold because of the U.S. company's strong position in the American compound resin market, the company spokesman said.

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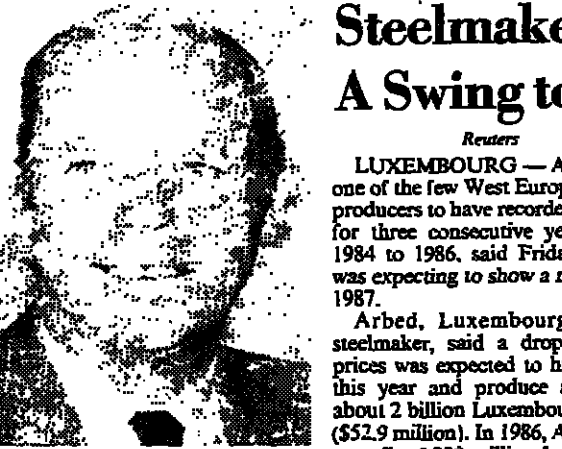
The Sun acquisition, like the Reichhold offer, started with friendly negotiations. Dainippon, a major maker of printing ink which has diversified into synthetic

Allegis Rejects Pilots' Bid, Shakes Up Management

By Agis Salpukas NEW YORK — Allegis Corp. has said that it no longer favors proposals by employee groups, principally its pilots, to buy a substantial holding in United Airlines.

It was the pilots' union that turned Allegis into a takeover target by offering to buy the airline. The union eventually forced the board to dismiss Richard J. Ferris as chairman and to commit itself to breaking up the company. At the time, Allegis opened the door to employee participation in ownership of United.

On Thursday, Allegis also changed the top management of United Airlines and decided to sell



Frank A. Olson

The decision by Allegis directors to sell the Apollo computer system came as a surprise. The system gives United Airlines a big advantage over most of its competitors.

Although it ranks behind American Airlines' Sabre system, United's system accounts for about 33 percent of the airline reservations made by travel agents. The agents who use the Apollo system often tend to book passengers on United because of various incentive plans.

Robert Joedicke, an analyst for Shearson American Express, said that the Apollo system could be worth close to \$1 billion.

Steelmaker Arbed Forecasts A Swing to Loss This Year

LUXEMBOURG — Arbed SA, one of the few West European steel producers to have recorded a profit for three consecutive years from 1984 to 1986, said Friday that it was expecting to show a net loss in 1987.

Arbed, Luxembourg's main steelmaker, said its drop in steel prices was expected to hurt profit this year and produce a loss of about 2 billion Luxembourg francs (\$52.9 million). In 1986, Arbed had a profit of 890 million francs.

In 1985, the company posted a profit of 1.1 billion francs with revenue of 65 billion francs. Revenue in 1987 is expected to fall by between 15 and 20 percent from the 1986 figure of 57.8 billion Luxembourg francs. Arbed's financial director, Joseph Kinsch, said.

Arbed directors, at a news conference ahead of the annual general meeting Friday, said that the fall in profits was due largely to the weaker dollar, which had reduced the competitiveness of West European producers and depressed prices.

They also blamed the failure of European Community steel producers and governments to agree on measures to phase out surplus capacity.

The EC's executive Commission is pressing for an end to the seven-year-old quota system, which protects 60 percent of EC steel output. But Arbed's president, Georges Faber, said he had the impression from talks with other steelmakers and with the commission that some form of quota system would be maintained.

3 N.Y. Investors Sue Over Bogus Bid for Dayton

CINCINNATI — Three New York investors who bought Dayton Hudson Corp. stock on reports of a takeover bid have sued the Cincinnati investment manager who made a bogus offer.

The investors, who say they purchased nearly \$35,000 worth of stock at inflated prices, want a U.S. District Court judge in Cincinnati to expand their suit into a class action case.

On Tuesday, P. David Herringer, a Cincinnati stock analyst, telephoned a bogus \$6.8 billion buyout offer for Dayton Hudson to Dow Jones News Service, causing the stock to soar, and then fall as the bid proved false.

Jacob and Sandra Elbogen of Brooklyn, New York, say they bought 100 shares of Dayton Hudson stock Tuesday at \$58.75 a share, while Joseph Pascal, a resident of New York state, bought 500 shares at \$58 each. They are seeking unspecified damages, alleging that Mr. Herringer's statements were made to inflate and manipulate the stock price.

Montedison in U.S. Purchase

MILAN — Montedison SpA said Friday it had agreed to buy the liquid crystal and polymer technology of Owens-Corning Fiberglas Corp. Terms were not disclosed. It will form a U.S. company, Grantmont Inc., to manage the activities.

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INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 26th June 1987

Table with multiple columns listing various international funds, their net asset values, and other financial data. Includes sub-sections for 'ACCESS VOYAGES' and 'HOLIDAYS & TRAVEL'.

Hotels, Restaurants, Night Clubs, Books, Education, and other services listed in the left column.

International Classified section containing various advertisements for travel, education, and services.

Low Cost Flights section listing various flight routes and prices.

Escorts & Guides section listing various travel services and agencies.

Friday's AMEX Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

In The Associated Press

12 Month High	Low	Stock	Div. Yld. PE	52 Wk High	Low	Close	Chg
10	10	ABN	1.18	10	10	10	0
10	10	ABN	1.18	10	10	10	0
10	10	ABN	1.18	10	10	10	0
10	10	ABN	1.18	10	10	10	0
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10	10	ABN	1.18	10	10	10	0
10	10	ABN	1.18	10	10	10	0

Spain Upgrades Its Telephone System

By Paul Delaney
New York Times Service

MADRID — Spain's telephone company plans to spend more than \$10 billion in the next four years to improve the country's communications network.

The upgrading will be needed particularly because the country will be host to both the World's Fair in Seville and the summer Olympics in Barcelona in 1992.

Currently Spain's telephone system — run by Compania Telefonica Nacional de Espana SA — is ranked only ninth internationally by number of phones per capita, well behind other West European nations, the United States and Canada.

To help finance its expansion plans, Telefonica, which already has its shares listed on several European exchanges and in Tokyo, turned to the United States. On June 12, it became the first Spanish company to be listed on the New York Stock Exchange, selling 18 million American depository receipts, each representing three shares of the phone company.

With an original offering price of \$20.875, the company raised \$375.8 million. On Thursday, the shares closed at \$24.125, up \$1.

"This is the largest transaction carried out on the American market by a foreign company," said a Telefonica official, who asked that his name not be used.

To meet the tremendous demands for the Olympics, he said, "We're going to have to greatly modernize our communications network from top to bottom."

The official said the listing would encourage investment in general and lead other Spanish companies to make their shares available in the United States.

Telefonica — Spain's largest company, with 63,000 employees and net income last year of \$356.6 million — is the object of incessant complaints about poor service.

But as a business it is regarded as a model and a leader in new technology, and most people seem to respect, if not love, its omnipresence. It owns all Spanish public exchanges, is the only authorized supplier of telephone sets, has an exclusive concession to provide all mobile telephone systems and is the sole supplier of domestic and international data-transmission services.

The company was described by one underwriter as "technically advanced and well positioned to provide Spain with the most modern network equipment and telecommunications services."

Rafael Ibañez, director of analysis at Banif, a brokerage firm in Madrid, said the semi-public Telefonica — the government owns 36.7 percent and appoints the chairman — "can hold its own as a company."

"I think it is attractive and competitive, and this is a highly significant step for it," he said.

"Entering the American market gives the company a kind of stamp of credibility, proof to itself that everything is going well."

Telefonica's modernization program includes expanding its telephone network to meet demand.

replacing crossbar and rotary phones with digital systems and investing in new equipment, a whole generation of electronic analog technology that other companies used as an intermediate modernization method.

The company is also participating in a number of joint ventures with foreign partners, including a \$200 million project with A.T.T. technologies to produce and market advanced microchips in Spain, and a deal with Fujitsu Ltd. of Japan to make minicomputers. In addition, it is engaged in research and development projects with several European companies, and negotiations are under way with Latin American concerns. The company is also near an agreement on a joint venture to make telephone equipment in the Soviet Union.

Two other major deals have not met with success. One with Corning Glass Works of the United States to make optical fibers is being held up because of declining world prices for fibers. Another, with Compagnie Generale d'Electricite of France, to take a 10 percent share in a global communications group set up by I.T.T. Corp. through Luis Solano Madariaga, Telefonica's chairman, who took charge five years ago, had pressed CGE without success for a more prominent role for Telefonica in the venture.

But perhaps the company's biggest problem is the amount of growth it faces because of Spain's limited telephone network. "The problem this company has is that it can't meet the demands on it," the company official said.

While revenue and income have grown consistently in the last five years at average annual compound rates of 17 percent and 13.6 percent, respectively, growth in income has not been reflected in increased dividends, mainly because of the company's practice of issuing new shares.

The company pays the government an annual levy that was about \$216 million last year.

Regarding the success of the company on the market, Mr. Ibañez, the brokerage executive, commented: "Entering such a market isn't an easy task. It depends on what the company achieves. It has been well advised and has good advisers. I don't foresee any great problems."

Jeffersonian Bordeaux Aucted for \$29,500

Reuter

BORDEAUX, France — A half-bottle of red Bordeaux wine, reserved over two centuries ago for Thomas Jefferson brought 180,000 francs (\$29,500) at a Bordeaux wine fair.

The unlabeled bottle of Chateau Margaux 1784, bought at an auction Friday by an unidentified American from New York, was engraved with Jefferson's initials and the misspelled word "Margau," Jefferson, who became the third president of the United States in 1801, was a regular buyer of Chateau Margaux wines.

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Finland	F.M.	1,730	950	F.M. 3.25	F.M. 1,183
France	F.F.	1,500	820	F.F. 2.88	F.F. 1,048
Germany*	D.M.	580	320	D.M. 1.11	D.M. 404
Gr. Britain	£	130	72	£ 0.19	£ 69
Greece	Dr.	22,000	12,000	Dr. 49.56	Dr. 18,040
Ireland	£ Ir.	150	82	£ Ir. 0.29	£ Ir. 106
Italy	Lire	380,000	210,000	Lire 756	Lire 275,200
Luxembourg	L.Fr.	11,500	6,500	L.Fr. 18.41	L.Fr. 6,700
Netherlands	Fl.	650	360	Fl. 1.21	Fl. 440
Norway	N.Kr.	1,800	990	N.Kr. 3.05	N.Kr. 1,110
Portugal	Esc.	22,000	12,000	Esc. 64.58	Esc. 23,500
Spain*	Ptas.	29,000	16,000	Ptas. 55.33	Ptas. 20,140
Sweden*	S.Kr.	1,800	990	S.Kr. 3.05	S.Kr. 1,110
Switzerland	S.Fr.	510	280	S.Fr. 1.10	S.Fr. 400
Rest of Europe, North Africa, former French Africa, Middle East	S	430	250		
Rest of Africa, Gulf States, Asia	S	580	320		

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السنة الثالثة

CURRENCY MARKETS

Dollar Mixed, Gold Up in New York

NEW YORK — The dollar closed mixed Friday against major currencies in New York in quiet trading, after closing generally lower in Europe.

Table with 3 columns: Currency, Fri., Thu. Includes Dollar, Swiss franc, French franc, German mark, Japanese yen.

In the absence of fresh economic news, but after signs this week that central banks are determined to moderate any swings in the dollar, the dollar of the market is to buy," one dealer said.

on the New York Mercantile Exchange, West Texas intermediate, the key U.S. crude, was up 61 cents a barrel for August delivery at \$20.28.

Bonn Reviews French Franc

WASHINGTON — The West German finance minister, Gerhard Stoltenberg, was quoted as saying that Bonn would welcome a greater reserve currency role for the French franc.

Fed Governor Urges Change In Laws to Let Banks Grow

WASHINGTON — A Federal Reserve Board governor, H. Robert Heller, urged on Friday swift changes in U.S. banking laws to let banks compete more equally with other types of financial institutions at home and abroad.

large superbanks that might develop was unwarranted. In Canada, the five largest banks had total assets ranging from 11 percent to 20 percent of Canada's gross national product at the end of 1985, he said.

SCENE: Wage Debate in U.S.

(Continued from first page) bite: modern factories are going up in many countries with skilled work forces, and their output can be sold in the United States at competitive prices. But other factors are at work to preserve the American wage advantage — "enough options that we ought to be able to beat the wage-gap dilemma," Mr. Jasinski said.

United States. The devaluation has not had much effect on the dollar value of wages in the developing countries because most of these currencies are tied to the dollar. But an index of hourly compensation adjusted for inflation shows that real wages in South Korea, Taiwan and Hong Kong have gained ground on United States pay in the past 10 years.

TAX: European Pact on Evasion Set

(Continued from first page) drafted and approved last year by the legal and fiscal committees of the council and the Organization for Economic Cooperation and Development, which have continued to coordinate their efforts.

But government representatives of West Germany, Switzerland and Luxembourg, which have repeatedly expressed opposition, said they would not sign the document.

Tight Budget Aims to Cut Egypt Deficits

By Olaf Tohamy Special to the Herald Tribune CAIRO — Egypt's parliament has approved a stringent budget that goes some way to meeting reforms demanded by the International Monetary Fund.

Foreign loans and aid grants, supplied mainly by the United States, are also projected to rise slightly from last year. Budget allocations for foreign debt servicing amount to 1.92 billion pounds, including principal and interest payments on debts not covered by the rescheduling agreement concluded with the Paris Club of creditor nations last May.

Japanese Banks Win Right to Sell Stocks on Credit

TOKYO — The Finance Ministry began Friday to allow Japanese banks to sell stocks on margin, a ministry spokesman said. The move will allow banks to hedge against a major fall in stock prices, the spokesman said.

Euro-Commercial Paper

Table with columns: Issuer, Mkt, Amt, Bid, Ask. Includes various financial institutions and their commercial paper offerings.

Friday's OTC Prices NASDAQ prices on 4 p.m. New York time. Via The Associated Press.

Large financial table with multiple columns: 12 Month High, Low, Div. Yld., etc. for various stocks and bonds.

SPORTS

Becker Defeated in Second Round



Boris Becker recovers from a fall during his losing match.



Ivan Lendl plunges into the net in a grueling five-set match.

WIMBLEDON, England — Boris Becker's dreams of a third consecutive Wimbledon championship ended in the second round Friday as Peter Dooan of Australia upset the top-seeded Becker, 7-6, 4-6, 6-2, 6-4.

WIMBLEDON TENNIS

Becker had won 15 matches in a row on the grass courts, while winning the previous two titles. "It hurts more on the grass than on the hard courts," Becker said. "Right now, I don't really realize what I did. I am very disappointed. But tomorrow morning when I wake up, it's going to be worse."

Becker has said he was born as a tennis player on Wimbledon's Court No. 1, his bid for a place in history perished. The unseeded Dooan won on his second match point, when Becker, a 19-year-old West German, sent a backhand wide down the line.

Dooan couldn't believe his eyes. He slowly brought his head up, and placed his hands on the forehead. Dooan gave Becker a sympathetic slap on the back as they walked off court.

The chief beneficiary of Becker's loss was Ivan Lendl, top-ranked in the world but seeded second at Wimbledon because of Becker's grass-court power.

Lendl almost missed out himself. In a match that started Thursday but was halted by rain in the second set, Lendl used a powerful forehand to rally and defeat Paolo Canale of Italy, 3-6, 7-6, 6-7, 7-5, 6-1.

Afterward, Lendl, in an uncharacteristic outburst, called Canale a crybaby, said his opponent had choked and added: "He just tries to cheat."

Friday was just the second completely dry day of the tournament, and match succeeded match quickly as officials tried to make up for the rain delays. All first-round men's doubles matches were reduced to best of three matches instead of best of five.

Second-seeded Steffi Graf of West Germany breezed into the third round with her 41st consecutive victory, 6-0, 6-0, over Tina Schenck-Larsen of Denmark. American Chris Evert, the third seed, also advanced, defeating Laura Golarsa of Italy, 7-5, 6-0.

Other winners included fifth-seeded Pam Shriver of the United States, 6-2, 6-2, over Australia's Ann Minter; eighth-seeded Claudia Kohde-Kilsch of West Germany, 6-0, 6-1, over Ann Devries of Belgium; 13th-seeded Barbara Potter of the United States over Catherine Squire of France, 6-4, 4-6, 6-1; 15th-seeded Raffaella Reggi of Italy over Susan Sloane of the United States, 6-2, 6-2.

Catarina Lindqvist of Sweden, seeded 11th, defeated Camille Benjamin of the United States, 7-5, 7-6, and West German Bettina Bunge, the ninth seed, beat American Wendy White, 6-4, 6-4.

Stefan Edberg, the fourth seed, of Sweden defeated American Mel Purcell, 6-4, 6-3, 6-4; Jimmy Connors of the United States, seeded seventh, defeated Stephen Shaw of Britain, 6-2, 2-6, 6-3, 6-4, in the second round, and 12th seed Brad Gilbert of the United States beat Chris Bailey of Britain, 6-2, 6-2, 6-4. Thirteenth seed Joakim Nyström of Sweden won, 6-3, 6-1, 6-4, over Czechoslovak Tomas Šmíd.

Four other seeds tumbled. Guy Forget of France beat his country's tennis idol, sixth-seeded Yannick Noah, 3-6, 7-6, 4-6, 6-4, 9-7, and Slobodan Živojinovic of Yugoslavia, a semifinalist a year ago, ousted the 15th seed, David Pate of the United States, 3-6, 7-6, 6-4, 6-1. In the women's draw, No. 10 Lori McNeil of the United States lost to Natalia Zvereva of the Soviet Union, 6-4, 6-4, in the second round and No. 14 Katerina Maleeva of Bulgaria lost to Gigi Ferandez of Puerto Rico, 7-6, 1-6, 6-4, in first-round play.

It all paled, however, against Becker's loss. He was favored to join Fred Perry and Bjorn Borg as the only two men in modern times to win Wimbledon three consecutive years. He would have been the first to do it while still in his teens.

Scoreboard for Cardinals vs Phillies. Cardinals: 1, 2, 3, 4, 5, 6, 7, 8, 9. Phillies: 0, 0, 0, 0, 0, 0, 0, 0, 0. Final score: Cardinals 4, Phillies 0.

The Cardinals' Greg Mathews delivers in the ninth inning of his first major league shutout, a 3-0 defeat of the Phillies.

Would-Be Tying Run Ends up as the Last Out

LOS ANGELES — Chuck Tanner has managed 2,604 games in his 17-year major league career. He has never ended as strangely as the Atlanta Braves' 2-1 defeat Thursday night at the hands of the Los Angeles Dodgers.

BASEBALL ROUNDUP

"As a matter of fact, I've never seen it happen in my 41 years in pro baseball. "It came with runners at first and third with two out in the ninth. Ted Simmons faced Orel Hershiser, and hit a ball too hard for his own good."

Simmons lined a shot toward right that should have driven in pinch runner Trench Davis from third with the tying run. Instead, the ball hit baserunner Glenn Hubbard as he broke for first, making him the final out of the game.

"I saw it coming at me and I just turned to try to get out of the way," said Hubbard, who was hit in the neck and unable to get up for about a minute. Hershiser escaped with an eight-hitter — including Simmons's ill-fated single in the ninth. He struck out seven and walked one in his fifth complete game for this season.

Mets 8, Cubs 2: In New York, Dwight Gooden scattered three hits over seven innings and Mookie Wilson, Kevin McReynolds and Rafael Santana drove in two runs each to lead the Mets to victory over Chicago. Gooden struck out five and walked five and allowed one unearned run.

Expos 7, Pirates 2: In Pittsburgh, Mitch Webster went 4 for 5 and drove in three runs and Tim Lincecum and Andres Galarraga had two RBI each to lead Montreal, Dennis Martinez, the winner, pitched 5 1/2 innings before leaving with a torn fingernail.

Cardinals 3, Phillies 0: In St. Louis, Missouri, Greg Mathews pitched a three-hitter for his first career shutout and Jack Clark produced his 68th RBI of the year in the Cardinals' defeat of Philadelphia. Mathews struck out five and walked five in his first complete game of the year.

Padres 4, Astros 1: In San Diego, Carmelo Martinez's pop fly fell among three Houston fielders, keying a four-run sixth inning that carried the Padres. Dave Dravecky went 6 1/2 innings for the victory. Lance McCullers earned his ninth save.

Giants 7, Reds 6: In San Francisco, Will Clark drove home Chris Brown from third base with one out in the ninth as the Giants edged Cincinnati. The Giants have won only three of their last 12 games.

Twins 4, Indians 3: In the only American League game, in Minneapolis, Dan Gladden, Kent Hrbek and Roy Smalley hit home runs to power Minnesota to a three-game sweep of Cleveland and stretch their winning streak to four games. Bert Blyleven scattered eight hits over six innings to notch the triumph. Jeff Reardon earned his 15th save.

VANTAGE POINT/ Ira Berkow From Billy Martin, The Wrong Idealism

NEW YORK — That old idealist, Billy Martin, stood up straight and tall the other day and stated in no uncertain terms that politics has no place in baseball. From a standpoint of pure democratic utopianism, Billy Martin is right. From a standpoint of pure actuality, he is wrong, and has been for more than 100 years.

This is what he was quoted as saying, "Politics don't belong in baseball and Jesse Jackson has no right to bring it in." Martin referred to the ultimatum Jackson, the presumptive presidential candidate, had delivered to major league baseball, giving it until June 29 to come up with a comprehensive plan to bring members of minority groups into the front office.

Martin added, "All he talked about were blacks and Hispanics. What about American Indians, Japanese, Chinese, females? Jesse Jackson should stick with religion and keep politics out of baseball. "A man or woman should earn a right to be in baseball and not be given the right because of color or creed."

Once upon a time, or until 1947, politics, written or unwritten, excluded black players from organized baseball, and from dining in most restaurants and attending theaters and getting jobs and drinking from water fountains, and a bunch of other things that white Americans took as their birthright.

And yet, before Jackie Robinson and Branch Rickey broke the color barrier in baseball 40 years ago, there were some in baseball who were shocked if anyone even thought of such a deplorable situation even existed.

In Boston in 1943, the City Council, under the leadership of Isadore Muehnick, a white politician representing a predominantly black constituency, charged racism and pressured both the Red Sox and Braves to give blacks a tryout. The Red Sox general manager then, Eddie Collins, couldn't believe his ears:

"I have been connected with the Red Sox for 12 years and during that time we have never had a single request for a tryout by a colored applicant. It is beyond my understanding how anyone can insinuate or believe that all ballplayers, regardless of race, color, or creed, have not been treated in the American way as far as having an equal opportunity to play with the Red Sox."

The "colored players," obviously, were simply not good enough. Otherwise, surely, according to Collins, they'd have been playing. Blacks and their supporters fought hard for an obnoxious and New York's Fair Employment Practices Commission was moving in the early 40s, to have the local teams, the Dodgers, the Giants and the Yankees, open their doors to blacks.

It was to Rickey's credit that he did not wait for a court to make a decision for him, though every other team in baseball continued to drag its feet. The point here is that there are a number of influences needed to

create equal opportunities for members of minority groups. And the use of political measures — from protests to federal commissions — have brought about results. It is also true that good people, qualified people, should be given the opportunities. And only when they are given a chance do we truly know their capabilities. Even when Robinson broke in, there were some who said he'd never make it.

Bob Feller, for example, said Robinson was "too tight in the shoulders" to hit effectively, "and if he were white he'd never be given this chance." Now, there is a move to get blacks into management in baseball, and, for that matter, football. Disclaimers, like indigestible food, repeat themselves.

Al Campanis says not that black are "too tight in the shoulders," but that they "don't have the necessary" for the front office. Others, like Collins, say they simply aren't qualified. But who is qualified? And what are qualifications? Is Lee Elia qualified beyond others — such as Joe Morgan and Bill Robinson and Bob Gibson — to get a second shot at managing in the big leagues?

Elia was chosen recently to replace John Felts as manager of the Phillies. And Elia's experience? He managed the Cubs in 1982 and fifth place the first year and left them in fifth place when he was dismissed in August of the second year. As for his public relations capabilities — often important for a manager — Elia became famous for a tirade against Cub fans, stating that they had to be bums, because anyone with a job wouldn't be at the ball park in the afternoon. Remember, now, that the Cubs only play day games at home.

Mantle Gives Words to Hit Homers By

Mickey Mantle should know something about hitting home runs. He slugged 536, the seventh-highest career total, during his 18 major league seasons. "I hear a lot of people saying that the ball is souped up," said Mantle, who has made an instructional videotape on the art of hitting called "Baseball Beyond the Basics." "That may be, but there are a few other things, too, that probably have something to do with it."

"I've been out of the game for almost 20 years, but there are some ballparks that I think I could still hit one out of today. "I'm not one of those old-timers who think the young guys playing today aren't as good as we were. The best players are mostly bigger, stronger and faster — people like Eric Davis, Jose Canseco, Mark McGwire."

"I'm not knocking the quality of the players, but there is just too many people who don't belong in major league ball. When I played there were only 16 teams, now there are 26. The talent has been diluted so much that there are fellows in the major leagues that really shouldn't be on that level. And when you have pitchers that aren't very good, that's going to mean more hitting and more home runs."

With all the baseballs flying over fences, does that mean Roger Maris's record of 61 homers in a season might be in jeopardy? "It could be," Mantle said of his former Yankee teammate. "If one of these young sluggers gets hot for a whole season, I guess he could break Maris's record. But Roger hit his 61 more than a quarter of a century ago. And so far, he's the only guy to ever do it."

Knowing the Score Before the Kickoff

By Rich Roberts Los Angeles Times Service You have 15 seconds to complete the following test. Ready? Begin: 1. If you have three people and person No. 1 was introduced to person No. 2 and person No. 2 was introduced to person No. 3, can you deduce that person No. 3 was introduced to person No. 1? 2. If person No. 1 is taller than person No. 2 and person No. 2 is taller than person No. 3, is person No. 1 taller than person No. 3? Time's up.

Did you say no to the first question and yes to the second? Congratulations. You may have what it takes to play in the National Football League. On the other hand, if you missed either or both — or ran out of time — that doesn't mean you're too dumb to rumble with the pros.

Logic is one type of problem presented on the Wonderlic Personnel Test, which has been given to NFL draft prospects by the scouting combines BLESTO and National Football Scouting for more than 20 years. Other questions — there are 50 in all — involve math, geometry and semantics, and there are 16 versions of the test.

The Los Angeles Raiders and San Francisco 49ers are the only two of the 28 NFL teams that do not belong to a combine. Nor do they use the test to measure a prospect's potential and they've done all right, with two Super Bowl victories each in the last seven years.

"We evaluate how the player performs on the field," said Ron Wolf, head of the Raiders' personnel operations. "If intelligence came into play in our selection process, we would give the test." Tony Razzano, the 49ers' director of college scouting, said, "We go on everything that's fact-based on the field. We give a football intelligence grade."

Elton Long, a vice president of E.I. Wonderlic Personnel Test Inc. of Northfield, Illinois, is not dismayed by the snubs. "It just would be easier for them to be successful if they paid more attention to it," Long said. "Those teams that are playoff contenders year after year tend to

be teams that place a great deal of credence in the test." Foremost are the Dallas Cowboys, New York Giants and Denver Broncos. Some others that use the test tend to downplay its importance but guard the results closely, just the same. Apparently, it's bad enough to draft a bad player, but downright embarrassing to draft a stupid one.

John Math, the Los Angeles Rams' director of player personnel, refused to discuss the test at all, and his counterpart, Mike Hickey of the New York Jets, pointed out: "It doesn't tell you if a guy can play or not." "Those taking the test have 12

minutes to complete it. Few do. A perfect score is 50. The average for this year's senior crop was 18. If the Jets thought the test was sure fire, however, they wouldn't have drafted running back Roger Young of Texas A&M in the first round. When the test was given to 330 draft prospects during the annual mass tryout camp at Indianapolis last winter, Vick scored 6, and it wasn't a touchdown.

The Jets' retested Vick and, Hickey said, the second result was acceptable. "We don't have an easy offense to learn. It would have been counterproductive to take a duffer." Hickey would not disclose Vick's second score or explain what might have been his problem the first time he took the test, but Jack Butler, director of BLESTO, said a low score did not necessarily indicate a dim bulb.

Butler, who once played defensive back for the Steelers, said that his office in Pittsburgh: "It's a flag that maybe there's a problem. Maybe he's a slow reader or has dyslexia," a reading disorder. Scout Billy Wilson of the 49ers said, "Some guys have had trouble reading the playbook, but on the field they've had no trouble at all."

On the other hand, Wilson is, "When we used to give the test, the highest score I ever recorded was a 44 by a guy who didn't make it." So what's the test worth to a football team? Harry Buffington, director of the NFL's combine, said from Tulsa, Oklahoma, that the Wonderlic was merely "an indicator of a kid's reading ability." USC guard Jeff Bregel, drafted by the 49ers in the second round, said, "It's an actual IQ test, isn't it?" Wonderlic's Long said that they were both wrong. "It's a broader concept than what IQ is."

"You hear of guys sitting on the bench between lockers trying to take the test with guys slugging and banging their stuff around," Long said. "You hear of situations where people are saying, 'Hey, what do you think the answer to this question is?'" Said Hickey: "Sometimes kids are given those things right after practice, while they're still in uniform. A scout's in a rush because he has to drive a long way that night to get to his next stop, so rather than let the kid shower, eat dinner, relax and set it up, he says, 'Hey, it only takes 12 minutes, and the kid slips off his pads and tries to take the test. His mind's not really there.'"

Most players take the test at least twice — once at their schools and again at the mass combine tryouts. "It's like getting weighed and measured," Hickey said. "Sometimes these kids get tired of it. They don't know it's going to be important to them. Does the individual explain it to them? This is another way we're gonna measure your potential?" "We've had academic All-Americans that didn't do very well. There was one at USC last year who did not blister the test, and we know he is plenty smart." He meant Bregel, who scored 16. "I really didn't concern myself with it," Bregel said. Bartolo scored 33. Bosworth, who leaves Oklahoma with a year's eligibility remaining, got 39. Wonderlic sells its tests for \$75 per 100, and they are administered to about a million job applicants each year. Copyright laws prohibit reproducing any actual part of the test here. Long offered the examples at the top of this article. Here are some other typical questions, paraphrased: What is the next number in this series: 3, 1.5, 0.75, 0.375? Which two of these sayings have similar meanings: 1. A stitch in time saves nine; 2. A rolling stone gathers no moss; 3. A penny saved is a penny earned. Hickey said of the test: "Certainly, you'd have to wonder if your quarterback didn't do very well on it. But do you really want a Phi Beta Kappa on your name tag?"

SCOREBOARD

Tennis

Wimbledon Results. Men's Singles: First Round. Anders Jarryd, Sweden, def. Rick Oosterhuis, U.S., 6-3, 6-4, 6-2. Brad Davis, Australia, def. 6-2, 6-3, 4-6, 6-3. Michael Schomer, Netherlands, def. 6-3, 6-4, 6-2. Christian Van Rensburg, South Africa, def. Thomas Hoog, Sweden, 6-4, 6-7 (7-9), 7-6 (7-9), 6-3. Tim Paine, U.S., 7-6 (7-9), 6-7 (9-7), 6-3. Paul McNamee, Australia, def. Todd Astor, U.S., 6-3, 6-4, 2-6, 7-6 (7-9). Eddie Edwards, Saint Pierre, def. Ivan Kley, Brazil, 6-3, 6-4, 7-6 (7-9), 6-3. Brad Gilbert (12), U.S., def. Chris Bolver, Britain, 6-2, 6-3, 6-4. Paul Anagnostou, U.S., def. Wendy Haines, U.S., 6-7 (7-9), 6-4, 7-6 (7-9), 6-3. Cliff Shryves, U.S., def. Claude Panatta, Italy, 6-3, 7-6 (7-9), 3-6, 7-6 (7-9). Matt Amer, U.S., def. Ramesh Krishnan, India, 6-3, 6-4, 6-2.

Baseball

Thursday's Major League Line Scores

American League: Cleveland 8, Detroit 3; Minnesota 3, Milwaukee 2; Pittsburgh 7, St. Louis 4. National League: Atlanta 5, Cincinnati 4; Houston 4, Philadelphia 3; Los Angeles 4, San Diego 3; New York 4, St. Paul 3; San Francisco 4, Texas 3; Washington 4, Chicago 3.

Major League Standings

American League East Division: Toronto 48, New York 47, Detroit 46, Baltimore 45, Cleveland 44. West Division: Minnesota 42, Oakland 41, Kansas City 40, Seattle 39, California 38, Texas 37, Chicago 36. National League East Division: St. Louis 42, Montreal 41, New York 40, Cincinnati 39, Chicago 38, Philadelphia 37. West Division: Cincinnati 38, Houston 37, San Francisco 36, Atlanta 35, Los Angeles 34, San Diego 33.

Transition

BASEBALL American League BALTIMORE — Signed Chris Albers, pitcher, and assigned him to Bluefield of the Appalachian League. NEW YORK — Sent Dan Passera, outfielder, to Columbus of the International League. ST. LOUIS — Signed Steve Dineen, pitcher, and assigned him to the Pacific Coast League. SAN FRANCISCO — Signed Jerry Wilford, catcher, to Tacoma, for rehabilitation assignment. LOS ANGELES — Signed Mike Gelfand, Brian Wilson, pitcher, and assigned him to Seattle of the Northwest League. TEXAS — Signed Brian Bateman, pitcher, and assigned him to Port Charles of the Gulf Coast League.

NATIONAL LEAGUE EAST DIVISION: St. Louis 42, Montreal 41, New York 40, Cincinnati 39, Chicago 38, Philadelphia 37. WEST DIVISION: Cincinnati 38, Houston 37, San Francisco 36, Atlanta 35, Los Angeles 34, San Diego 33.

